Yayın Geliş Tarihi (Submitted): Nisan/April-2019 | Yayın Kabul Tarihi (Accepted): Eylül/September-2020

An Overview of Four Fundamental Theories of Organizations

Dört Temel Örgüt Kuramının Genel Değerlendirmesi

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Abstract

The aim of this paper is to provide a basic understanding about the four fundamental theories of organization: Contingency theory, resource dependence theory, institutional theory, and population ecology theory of organizations, and to review in which way these theories differ in a detailed way. Along with a comparison of these theories, this paper aims to provide a general historical summary about them. Base assumptions and standpoints of these theories are overviewed, and main limitations and critiques against these theories are discussed. Besides, a comparison is provided to further explicate these highly acknowledged theories. While all four theories carry a resemblance and may seem to be more valuable if converge, they are fundamentally different from each other. A general review was carried out on some fundamental criteria such as the level of analysis, preferred methodological methods, depiction of organization and success criteria.

Keywords: Contingency theory, resource dependence theory, institutional theory, population ecology, organization theory

Paper Type: Review

Öz

Bu çalışmayla dört temel örgüt kuramı (koşul bağımlılık kuramı, kaynak bağımlılığı kuramı, kurumsal kuram ve örgütsel ekoloji kuramı) hakkında temel bir anlayış sağlamak amaçlanmıştır. Bu kuramların karşılaştırılmaları yanında, genel tarihsel bir özet sunmak hedeflenmektedir. Koşul bağımlılık kuramı, kaynak bağımlılığı kuramı, kurumsal kuram ve örgütsel ekoloji kuramının temel varsayımları ve bakış açıları genel olarak değerlendirilmiş ve temel kısıtları ile haklarında getirilen eleştiriler tartışılmıştır. Bunların yanında dünya üzerinde tanınmış bu kuramların daha detaylı irdelenerek bir karşılaştırması yapılmıştır. Her ne kadar çevreyi ele alan bu dört örgüt kuramı benzerlikler taşısalar ve birleştirilseler daha değerli olacakmış gibi görünseler de, temel olarak birbirlerinden çok ayrışmaktadırlar. Bu dört temel örgüt kuramının hangi analiz seviyesinde olduğu, baskın metodolojik yöntemleri, örgütü ele alış biçimi ve başarı kriterleri gibi temel birtakım ölçütleri gözetilerek genel bir değerlendirme yapılmıştır.

Anahtar Kelimeler: Koşul bağımlılık kuramı, kaynak bağımlılığı kuramı, kurumsal kuram, örgütsel ekoloji, örgüt teorisi

Makale Türü: Derleme

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Atıf için (*to cite*): Seçkin Çelik, T. (2020). An overview of four fundamental theories of organizations. *Afyon Kocatepe Üniversitesi Sosyal Bilimler Dergisi*, *22*(3), 730-746.

Introduction

Since the introduction of the very first theory of organization in the late 18th century by Adam Smith (Hatch and Cunliffe, 2013), an abundance of organization theories has proliferated both in management literature and other literatures of related disciplines. Dated back the times of Adam Smith, first theories, assumptions and research on administrative issues were mostly in the form of normative principles that exemplified today by best practices and benchmarking. While studying how the industrial age was changing social and organizational life, these first attempts established a field of organization theory. Although practical demands for normative perspective still remains, and it penetrates into all theories and perspectives in a way, modern, symbolic and postmodern perspectives have dominated at least the past 50 years of organization theory field. Regardless of the chosen perspective, organizational theorists use six core concepts in order to construct their theories: environment, social and physical structure, technology, culture, and power (Hatch and Cunliffe, 2013).

With the introduction of general systems theory and it's open systems model, it was realized that intraorganizational level theories that rely primarily upon internal structures, processes and dynamics of organization, and point out these internal arrangements as the sole reason of success and failure are inadequate. This realization impelled organization theorists to think about external influences on the organization as well. These external influences, lying outside the organization were referred as the environment. Environmental forces of an organization might include customers, suppliers, competitors, partners, industry norms, government, labor, culture, political economy and such. So that everything outside of an organizational boundary might have an effect on the organization itself, and an organization is a subsystem of its environment. Following the logic of systems thinking, endemic belief of "one best way" to organize was altered in the way that "depends on the environment", and managers were accepted as externally constrained in their ability to implement any structural and strategic decision as well (Jaffe, 2001).

In this paper, environment and organization relationship will be scrutinized around four popular theories, which generally better suited to modern thinking: environmental contingency theory, resource dependence theory, population ecology, and institutional theory. After a quick review of the most basic contributions of these four fundamental theories of organizations, critiques directed against each theory will be shortly mentioned. And in the last part, differences and similarities between them will be discussed.

1. Environmental Contingency Theory

Contingency theory simply argues that organizations adapt to their environments' demands to survive and prosper (Donaldson, 1995). There is no 'one best way' to be successful, rather effectiveness of an organizational structure and strategy depends upon other circumstances or factors, which are generally imposed by the external environment (Jaffe, 2001). More specifically, the fit between the structure and the contingency factor effects organizational performance (Donaldson, 1995). When someone mentions contingency theory, it generally evokes Burns & Stalker. Their famous work, which examines how organizations pinpoint and respond to stability and change conditions and categorizes responses as appropriate or dysfunctional on four different firms, revealed that there are important differences in terms of management style and structure of these organizations. Realization of these differences led Burns and Stalker (1961) to identify two important organizational approaches: mechanistic and organic.

Mechanistic management systems are more appropriate for stable industries, and are characterized by specialized routine tasks, precise definition of formal roles, highly hierarchical structure, vertical communication, and insistence of loyalty and obedience. On the other hand, organic structures are suitable for constantly changing unstable environments. They are characterized by high proportion of mental labor, adjustment and redefinition of individual tasks

through interaction, a network structure of control, authority and communication, lateral communication, and consultation and advice in information sharing rather than instructions and decisions. In stable environments, mechanistic organizations are favored because of the efficiencies generated by standard procedures and formalization of routine tasks. Conversely, unstable environments require flexibility in order to innovate and adapt, so that organic structures should be favored if success is desired. Although organic and mechanic management systems seem to be dual, it is emphasized that they do not represent a dichotomy, rather a polarity. Proposed structures correspond to two edges of a continuum, and there are less strict systems between these two extremities (Burns and Stalker, 1961).

Despite the fact that there had been other researchers who studied the impact of contingency factors of organizations just as Burns and Stalker, it was Lawrence and Lorsch (1967a) who first composed and labeled 'contingency organization theory' approach in their book Organization and Environment: Managing Differentiation and Integration. Employing the main concepts of one of the two major tensions within organizations (Jaffe, 2001) to examine appropriate internal functioning by concerning the demands of the environment placed upon organization, Lawrence and Lorsch build their propositions on the entire organization and its larger subsystems rather than solely focusing on the individual, and look at it from the organization outward. Comparison of high performing organizations in differing degrees of complexity gave insight into the relation between internal structure and environmental characteristics. Highly formalized organizational structure and managerial hierarchy as an integrating device prevail in highly stable and certain environments, whereas in dynamic and diverse environments, informal and flexible structure, integrative devices of integrative departments and cross-functional teams become common. Plus, moderately unstable environments require moderately flexible organizational structures. Moreover, subunits tend to develop diverging internal arrangements related to certainty/stability in their relevant sub-environment. Production department with the most stable environment have the highest formalized structure; sales department with moderately certain environment have moderately flexible structure; and research departments with most dynamic and unstable environment have the most flexibility (Lawrence and Lorsch, 1967a). Interpersonal orientation is also affected by the degree of certainty in the environment. Most certain and uncertain environments tend to be characterized by task-oriented relationships, while moderately certain environments have more socially oriented relationships, indicating a curvilinear trend between interpersonal orientation and certainty of the environment (Lawrence and Lorsch, 1967b).

Researches on contingency-structure relationships central to the theory are mainly focused on three themes: strategy and structure, size and bureaucracy, and uncertainty and organic forms. Results of the several studies on these subjects have proven the validity of contingency theory and its propositions (Donaldson, 1995). However, early studies on environmental contingency theory have not clearly conceptualized the environment or elements comprising it, and conditions in the environments were assumed to be objectively real (Duncan, 1972). The latter deficit has been admitted proudly by Burns & Stalker as follows "…different forms assumed by a working organization do exist objectively and are not merely interpretations offered by observers of different schools" (1961, p. 104). Duncan (1972, p. 314) has differentiated internal and external environment while conceptualizing the environment as "the totality of physical and social factors that are taken directly into consideration in the decision-making behavior of individuals in the organization" in his work. He combined the effect of both internal and external environmental factors in an effort to understand perceived uncertainty. Studied model contains 2 dimensions of the environment: simple-complex and static-dynamic. Simple-complex dimension refers to "the number of factors taken into consideration in decision making", which points out complexity; and static-dynamic refers to "the degree to which these factors in the decision unit's environment remain basically the same over time or are in a continual process", which implies rate of change (Duncan, 1972, p. 313). As one should expect, static-simple and complex-dynamic environments are placed at the opposite ends of a spectrum of perceived uncertainty: low

perceived vs. high perceived uncertainty; whilst in static-complex and simple-dynamic ones, individuals in decision units perceive moderately low and moderately high uncertainty, respectively. In that way, it is argued that complexity and rate of change in the environments are not stable, but rather depend on the perceptions of organizational members.

Some contingency theorists also concentrate on the appropriate business level and corporate level strategies depending on the particular environmental and organizational characteristics. In an extensive literature review by Hofer (1975), most significant environmental determinant for the formulation of viable strategies is identified as the stages of the life cycle. For example, in the introduction phase of the product life cycle, major determinants of business strategy are newness of the product, buyer needs, the rate of technological change in product design, and purchase frequency; while market size, buyer loyalty, elasticity of demand, degree of product differentiation, product quality, and marginal plant size are the most important ones in the decline stage. There are many propositions and research findings on the most effective strategies regarding relevant environmental factors, for more detailed information on the topic, see Hofer (1975).

There has been much criticism around contingency theory since the 1970s with a wave of paradigm proliferation (Donaldson, 1995). All the subsequent theories criticize contingency theory in a way. For example, Pfeffer and Salancik (2003) attack it for its overemphasis on internal structure, and DiMaggio and Powell (1991) for its assumption of frequent change to adapt contingencies. But more importantly it is reprehended because the relationship between technology, structure and performance (as main themes scrutinized under contingency theory) are much more complicated than the theory assumes (Schoonhoven, 1981).

Contrary to extreme advocates of contingency theory (e.g. Donaldson, 1995), some organization theorists argue that it is not a theory at all. According to contingency approach, while designing organizational structure to support effectiveness, "it all depends…" Theoretical statements using unsure verb "should" and vague words such as "appropriate for", "consistent with", "conform" and "fit" engenders lack of clarity about substance of the theory despite the explicitness of the overall strategy of the theory. Lack of precision also leads implicit assumption of the interaction effect between independent variables to become blurred, and true effects on the dependent variable becomes impossible to be acknowledged. Imprecise hypotheses further prevent researchers to test the original model as it has been offered, rather leave the development of hypotheses on individual's interpretation. In addition, relationships are assumed to be linear while studying contingency theory, however there may be nonlinear and curvilinear effects that may distort the results. Likewise, contingency relationships have symmetrical effects, and so suggest a nonmonotonic effect of structure on effectiveness instead of being constant over all the values of independent variables. All these effects that make a big difference in research are neglected by contingency theory (Schoonhoven, 1981).

2. Resource Dependence Theory

Organizations need resources in order to operate. Required resources vary widely and can be considered as inputs or outputs including raw materials, information, technological innovations, capital, personnel, social support and such. But flow of these resources, necessary for the transactions between organizations, generally happened to be uncertain and unpredictable (Galaskiewicz and Marsden, 1978). According to resource dependence theory (RDT) the ability to acquire and maintain resources is the key to organizational survival. Extent of survival is tied to the effectiveness, and effectiveness emanate from management of demands hinges on different interest groups for resources and support. Every organization must transact with its environment to get some resources, with no exception. So, every organization have to manage the acquisition of resources in order to survive and prosper (Pfeffer and Salancik, 2003, p. 2). From this perspective, organizations thus are seen as proactive entities in dealing with environmental constraints, rather than being passive observers (Jaffe, 2001).

The first step of RDT is identifying the resource inputs and outputs of the organization, and tracing these resources to their sources in order to realize another actors and special interest groups in the way (Hatch and Cunliffe, 2013). All interest groups in both internal and external environments have diverging and conflicting demands, but it's impossible to satisfy all. So, first it has to be decided which groups' demand will be met. At this point, the choice of the interest group to be taken into consideration more, while managing dependencies, is a matter of power. Extent of dependence on those interest groups creates power imbalances; those who have the most critical and scarce resources obtain more power and control over the organization (Salancik and Pfeffer, 1974). Only after determining the most critical and scarce resources it depends, an organization can plan its actions to manage these dependencies. Nevertheless, deciding the criticality and scarcity of resources is totally subjective. RDT embraces Karl Weick's view of enacted environment, and argues that "environments become known through a process of enactment in which perceptions, attention and interpretation come to define the context for the organization" (Pfeffer and Salancik, 2003, p. 260). Due to this subjectivity of decision makers and actors, organizations may misread the dependence relationships, misinterpret the demands, and fail to see conflicting demands. So, there is always the danger of misspecification of critical and scarce resources, and organizations have to be careful about overcoming these problems in order to survive (Pfeffer and Salancik, 2003).

When the organization's control over critical and scarce resources has started to diminish, and other external or internal actors has become more powerful in that vein, that organization needs to take over control again by managing its exchanges and its relationships. RDT offers some practical strategies to alter organizational interdependence situations. An organization may simply adapt their systems and structure in accord with the environment or may try to affect the environment with some strategic tools. It may absorb their environment through mergers and acquisitions including vertical integration, horizontal expansion, and diversification to reduce its dependence on others and to increase its power in exchange relationships. Since it is hard to cope with problematic dependence created by mergers, organization may also choose to grow through direct capital investment; size of an organization determines the extent of power and leverage over their environment. Mutual interdependence and sharing power is another option, if ownership is not possible or optimal. Managing environmental interdependence and uncertainty through coordination, instead of total absorption of the parts of the environment, can be more advantageous due to its flexibility. Coordination activities can take various forms such as generating social norms, cooptation through joint ventures, creating advisory boards and interlocking members of powerful environmental actors in boards of directors, being part of trade associations, cartels, and enter into reciprocal trade agreements (Pfeffer and Salancik, 2003).

Constraints imposed by political, legal and social environments may also be managed by organizations. Means to manage these macro environmental dependencies involves gaining organizational legitimacy, efforts of political activity to influence government in establishing favorable regulations, and altering the environment by lobbying. It is also argued that law, legitimacy and political outcomes might in fact reflect organizations' actions taken to protect their survival and certainty interests. (Pfeffer and Salancik, 2003). Speaking of the effect of organization on its environment, objectives of the organizations are twofold including "acquiring control over resources that maximize the dependence of other organizations on themselves", as well as "acquiring control over resources that minimize their dependence on other organizations". In this regard, augmenting the dependence of other organizations on themselves is as important as minimizing their own dependence (Ulrich and Barney, 1984, p. 472).

Resource dependence theory has grasp widespread attention in both management literature and other related disciplines due to its empirical accuracy and its fit with the social environment (Davis and Cobb, 2009). However, even founding fathers of the theory have accepted that the very success of the theory has ruined itself. Prevalent acceptance and taken-for-grantedness of resource dependence theory has turned into a major drawback that despite its aging

condition, rigorous studies testing the theory has still been limited (Pfeffer and Salancik, 2003; Davis and Cobb, 2009; Hillman et al., 2009). According to Casciaro and Piskorski (2005), the principal reason why RDT suffer from lack of implementation is because it treats two distinct dimensions of power imbalance and mutual dependence as if one single construct, namely interdependence. While pointing out that these two dimensions constitute two diverge constructs with opposite effects on constraint absorption behavior (M&A activity in this case) of organizations, the study also attempts to answer a basic important question that can be addressed to RDT: Why do more powerful organizations want to enter into constraint absorption relationships with their dependents, whereas they can hold more power and control over them without it? One finding indicates that the more the increase in the constraint, the more the increased tendency to absorb organizations in the constraining industry. Besides, it was revealed that M&A's are more likely if the power difference between potential partners is small, and if these parties operate in mutually dependent industries. So, more powerful organizations are only willing to cooperate if the power imbalance is small, and if there is some mutual interdependence between them.

Apart from misconceptualization of one of the main themes of the theory, RDT has another more important flaw: over emphasizing power. It is accepted to become mainly a political model, rather than an organizational one (Donaldson, 1995). In their famous book, Pfeffer and Salancik (2003) consistently exemplify organizations, in a way that as if their sole purpose is to manage power relationships with political actors in the environment by exaggerating the reality. Although it is true that running an organization requires managing power relationships, they also conduct significant activities such as production and sales. Managers are also seen as mostly passive and symbolic actors, even in the most influential sense they just act in a consistent manner with environmental demands.

Additionally, offered options to buffer environmental effects apply to only few organizations, and they further decrease the autonomy of organizations instead of decreasing the dependence (Donaldson, 1995). Available tactics and sources of power and dependence are also outdated, and needs an update if RDT is going to be used in today's business environment (Davis and Cobb, 2009). Moreover, enacted environment approach of the theory hangs in the air. There are pages of explanations in Pfeffer and Salancik's (2003) book, but enacted environment is only considered related to the determination of scarcity and criticality of resources. Nothing more is offered and explained, thus despite the attempt, RDT is still very far away from the symbolic approach.

3. Institutional Theory

The leading influential figure of institutional theory is commonly accepted as Philip Selznick. In his famous work Leadership in Administration, he differentiated between organization and institution. Organizations were treated as rational and expendable tools, judged by their efficiency; and as an organization is institutionalized it changes, and either creates a distinctive competence or a built-in incapacity. Therein, institutionalization was defined as "the emergence of orderly stable, socially integrating patterns out of unstable, loosely organized, or narrowly technical activities" (Selznick, 1996, p. 271), and the role of institutionalization beyond efficiency considerations was emphasized. Although Selznick and proponents made considerable "voice of resistance to this culture of shortsightedness, offers guides to thinking about corporate social responsibility, and brings into question the goal of maximizing profits or returns on capital" (Selznick, 1996, p. 272), a new institutionalism has emerged.

Although both old and new institutionalism view institutionalization as constraining organizational rationality, and as a state-dependent process that makes organizations less instrumentally rational by limiting the options they can pursue, and argue that culture shapes organizational reality, these two views diverge substantially. Main differences between these approaches incorporate locus of institutionalization, sources of constraints, and sociological focus

of the latter one. Conceptualization of the environment has moved from organizations in local communities tied by cooptation toward organizational sectors of fields constituted by boundaries of industries, professions or national societies. Old institutionalism refers vested interests within organizations as sources of constraints, whilst the latter underlines the relationship between stability, legitimacy, and the power of common understandings (DiMaggio and Powell, 1991, p. 12). Nowadays even this old and new distinction has almost lost, and institutional theory is generally associated with the new or neo institutional theory. From now on, it will also be referred to the new one when using institutional theory.

Institutional theory aims to understand why organizational forms and practices are so similar in a structured field, while deals with institutional sectors or fields as the unit of analysis. An institutional field refers organizations in the same line of business constituting key suppliers, customers, regulatory agencies, and other competitors that must conform precise rules and practices. Although the field demonstrates diversity at the beginning of the establishment, in the long run, it becomes extremely homogenous regarding organizational approach and form (DiMaggio and Powell, 1983). Institutional theorists argue that organizational structures and their implementation are affected by practices and procedures, which prevails rationalized concepts of organizational work that are institutionalized in the society. Institutionalization "involves the processes by which social processes, obligations, or actualities come to take on a rule-like status in social thought and action" (Meyer and Rowan, 1977, p. 341). Institutional rules give important signs of rooted social settings, and function as "highly rationalized myths", which constraint organizations (Meyer and Rowan, 1977). Although the adoption of these rational myths results in legitimacy for the organization, it becomes irrational when a large number of organizations embrace the same structures and practices. But they still continue to do so, and become more and more homogenous (DiMaggio and Powell, 1983).

Homogenization of the field can best be explained with isomorphism (DiMaggio and Powell, 1983). It is defined as "a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (Hawley, 1968, p. 334). The key to organizational survival and success is institutional isomorphism (Meyer and Rowan, 1977), and there are three mechanisms of institutional isomorphic change: coercive isomorphism, mimetic isomorphism, and normative isomorphism.

Coercive isomorphism results from internal and external pressures of political influence, and the problem of legitimacy derives from cultural expectations in the society. This type of isomorphism implies some formal or informal consequences for failure to conform. As organizations attempt to conform to given standard operating procedures, legitimized rules, regulations, and laws of wider institutions, organizational models become more homogenous. When an organization is highly dependent on another, organization's needed resource supply is highly central and dependent upon a single source, and transaction with the state is more extensive, organizations tend to become coercively more isomorphic (DiMaggio and Powell, 1983).

Mimetic isomorphism derives from the need to buffer uncertainty. Organizations are more inclined to modeling and imitatimg other successful organiations, when there is uncertainty between means and ends, when organizational goals and aspirations are ambigous, and when there are few alternative examples for modeling. Also, organizations have few options when they search for a consulting firm, thus they get similar advises, and it leads to further homogenization (DiMaggio and Powell, 1983).

Normative isomorphism stems from professionalization. Universities and professional networks (e.g. trade associations) promote very similar organizational norms, so that all employees including executives tend to view problems in a similar fashion and approach decisions in much the same way. Individuals even learn how to behave, dress, and talk through anticipatory

socialization in an organizational field. Once defined conditions and methods for a specific profession becomes normatively sanctioned and legitimated (DiMaggio and Powell, 1983).

All mentioned sources of isomorphism processes work under the assumption that they will lead to organizational efficiency, in the absence of evidence (DiMaggio and Powell, 1983). Isomorphism regardless of the factual efficiency considerations is what turned these 'institutionalized rules' into 'myths'. According to Meyer and Rowan (1977), myth generating formal organizational structure has two key properties: First one includes rationalization and specification of social and technical purposes of impersonal prescriptions with appropriate means to pursue them rationally; and the second one involves highly institutionalization of purposes and means such an extent that they are taken for granted as legitimate without considering the real impact of these practices. In parallel, institutional environments have some serious impacts on organizations: "They incorporate elements which are legitimated externally, rather than in terms of efficiency; they employ external or ceremonial assessment criteria to define the value of structural elements; and dependence on externally fixed institutions reduces turbulence and maintains stability" (Meyer and Rowan, 1977, p. 348). Conforming to the widespread myths is rewarded with social legitimacy, while not conforming them leads to accusations of being negligent or irrational, and result in the loss of legitimacy and resources from the environment. Thus, organizations face a paradox of interest between demands for efficiency and ceremonial rules in institutional environments (Meyer and Rowan, 1977), they "compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness" (DiMaggio and Powell, 1983, p. 150).

Institutional theory is also concerned with loose coupling, and differentiates the two types of organizational environments: institutional environment and technical environment. Institutional environment refers to the environment in which organizations have to adapt and conform to some institutionalized and established rules and procedures; while technical environment points out an environment where transactions takes place in a market, in which organizations are evaluated on the basis of efficiency and effectiveness. Technical environments take into account efficiency pressures, and organizational structures are determined by task contingencies as a result. On the other hand, institutional environments attach less importance to efficiency considerations and more on demands of conformity pressures (Meyer and Scott, 1983). In order organizations to resolve conflicts arisen from the inconsistency between ceremonial rules and efficiency or to buffer the effect of institutional environment on organization, organizations use loose coupling or decoupling strategies. With the help of decoupling, organizations can still maintain their legitimacy, standard procedures and formal structures desired by the institutional environments, while their internal activities vary in response to practical considerations and while they still can respond the requirements of the technical environment (Meyer and Rowan, 1977). Moreover, as in the case of a strong institutional environment, tightly coupling of structure with the environment causes looser coupling of activities with the organizational structure. Conformity pressures are generally directed against the most visible aspects and actors of the organization such as CEO's, boards of directors, while operating core is mostly neglected and can act in a different way. Dedication on visible aspects of the environment masks inconsistencies and irrationalities inside the operating core. Loose coupling of organizations between operating core and management hierarchy helps operating core to perform under autonomy and unleash it from the demands of institutional environment (Meyer and Scott, 1983).

Here, it is only attempted to give a snapshot of the most influential parts in institutional theory, but the real picture is much more complicated than this. There are dozens of different approaches to institutional theory, for example loose coupling argument mentioned in the above paragraph is seen as a part of institutional phenomena as "loose coupling version of institutional theory". Novelty seeking leads institutionalism to constitute lots of different ideas, contradictory claims and even criticism within the same phenomena. Sometimes conflicting various ideas prevent institutional theory becoming a consistent body of knowledge (Donaldson, 1995). Despite

the huge attention on further improving the theory with different elements, there has been little attempt to conceptualize and specify the institutionalization processes (Tolbert and Zucker, 1996).

There are also concerns about research on institutional theory. Due to the variety of field, institutional theory has neither developed standard variables nor standard research methodology (Tolbert and Zucker, 1996). It has been established upon the complex needs of meaning systems, symbols, myths, and ceremonies and other processes that requires intensive interpretation. However, research on theory has mostly limited to positivist approach rather than interpretivist methods that would be better suited in understanding the subjective experiences of the institutions and institutional actors. The same also applies the role of language in institutional processes and effects. Case studies and other qualitative methods need to be undertaken more to truly grasp the "institutional story", and more attention should be given to the deliberate use of words in changing cognitions. Also, emphasis on the divergence of technical and institutional environments in theory has blurred when it comes to research. Researchers have generally worked on empirical variables that are hard to distinguish whether they belong to institutional or technical environment (Suddaby, 2010). Besides, institutional theorists have not even proven their fundamental argument of high similarity between organizations; in fact, evidence shows the opposite: increasing variance across organizations (Donaldson, 1995). All in all, it is argued that institutional theory has failed considering the inconsistencies between the theoretical arguments and methodological approach (Suddaby, 2010).

4. Population Ecology Theory of Organizations

The idea behind the population ecology of organizations is that "under specific conditions, processes of change in organizational populations parallel processes of change in biotic populations" (Singh and Lumsden, 1990, p. 162). Following this presumption, natural selection processes in organic evolution is applied to the population of organizations. While biology field is interested in changes in genotypes of species; social sciences is concerned with the changes in social organization when using natural selection model. This model is a three-stage process including variation, selection, and retention. In the first stage, variations occurred for some reason; second stage brings forth selection of some variations over others by a consistent selection criterion; and the third stage involves retention (preservation, duplication and reproduction) of positively selected variations. It is important to note that, natural selection does not imply that organizations progress to higher or better forms, but better fit with the environment (Aldrich and Pfeffer, 1976).

Population ecology of organizations employs organizations, populations, and communities of organizations as its basic elements. "A set of organizations engaged in similar activities and with similar patterns of resource utilization constitutes a population" (Baum, 1999, p. 71). Therefore, population in this literature refers to aggregates of organization rather than members, and organizational ecology does not deal with a single organization or its parts (Hannan and Freeman, 1977).

Unlike other theories assume organizations can survive if they adapt to changes in the environment, this theory deemphasizes adaptation. Population ecologists do not completely against formulating and implementing strategies in order to adapt environmental contingencies, but they argue that not all variations among organizations can be attributed only to adaptive behavior (Hannan and Freeman, 1977). Although organizations face a lot of uncertainties due to the environmental changes, and need to change their organizational strategies and structures in accord with the changes in the environment, they are structurally inert to keep up with the pace of environmental change because of their rooted intraorganizational arrangements (Baum, 1999). Therefore, structural inertia precludes organizations for making changes in their structures as frequent as the changes happening in their environments. Besides, organizations that are reliable and accountable are favored by potential members, investors, clients, and other interested parties, and these competencies (reliability and accountability) require organizational structures to be

highly reproducible. Reproducing organizational structures rather than frequently changing them implies high structural inertia. So, inertia is a consequence of natural selection (Hannan and Freeman, 1984). Internal inertial pressures include sunk costs of investments, information asymmetry and political resistance within the organization, and normative agreements as to how to conduct the business; while external pressures toward inertia consist of entry and exit barriers from markets, lack of necessary information about the environment, prevalent legitimacy claims, and collective rationality problem in the population. In cases such that inertial pressures are sufficiently strong and adaptation is unlikely, then differential selection processes decide the appropriate structural arrangements in the population (Hannan and Freeman, 1977).

Through centering on selection and structural inertia, ecology theorists mainly attempt to explain foundings (birth) and failures (death) for particular organizational populations. Instead of holding managerial abilities or mistakes responsible, they argue that contextual or environmental causes determine the founding and failure rates in a certain population through influencing opportunity structures that potential newcomers confront, and resource constraints that incumbents' face. Reasons of foundings and death are classified as demographic processes, ecological processes, and environmental processes (Baum, 1999).

Demographic processes point out age and size variables of the population. Selection pressures in favor of reliability and accountability support liability of newness hypothesis, which holds that young organizations are more prone to failure. Also, the same selection pressures favor larger organizations, since they are more inclined to be structurally inert, support liability of smallness hypothesis. Especially in an attempt at reorganization, small organizations are more likely to fail than larger ones. Therefore, death decreases with age and size (Hannan and Freeman, 1984). But there are also other hypotheses (liability of adolescence, liability of obsolescence) asserting that progressing through the organizational life-cycle, failure rates might increase due to depleted resource endowments and unfit with the eroded environment (Baum, 1999).

Ecological processes are related to the predictions of niche-width theory and density dynamics of the population. Niche-width theory offers a model of differential survival capabilities of specialist vs. generalist organizations. Each population operates under a distinct niche. Depending on the choice of capacity of resources, organizations may choose to be generalists by targeting the average customers in the market while possessing a broad range of resources; or choose to become specialists with a narrow range of resources. Favored forms are determined by the variability of environmental fluctuations and their patchiness. In a nutshell, stable environmental conditions favor specialist organizations over generalists, but optimal strategy diverges for uncertain environments. If the environmental demands among fluctuations are different, then again specialist strategy is the optimal one. But if the demands of different environmental states are similar or complementary, the optimal strategy is being generalist (Hannan and Freeman, 1977). Also, the number of competing organizations in a specific population has an effect on founding and failure rates. Small number of firms in the early stages of the development of a new organizational form increases with the legitimacy of the organizational population, and this density decreases the mortality rates in turn. However, as population continues to grow, resources become scarce and insufficient, and competition becomes intense. Competition between the organizations resulting from this density detracts the value of legitimation and increases mortality rates. In order words, density creates a curvilinear effect on births and dates (Singh and Lumsden, 1990).

Environmental processes may also affect the population through changes in institutional structure such as legal rules, government regulations, political turbulences; and through technological innovations by disrupting market conditions and changing competitive ability of organizations (Baum, 1999; Jaffe, 2001). More than that, there are additional elements, that might have an effect on survival, implicitly sprinkled in theory: blind variation and chance (Donaldson, 1995).

In spite of the vision expanding contribution of population ecology of organizations, it might even be at fault categorizing it as an organization theory, according to Donaldson (1995). It does not offer any managerial implications, "The only output of organizations in population ecology is that they go on existing" (Donaldson, 1995, p. 66). Also, not even its founders or proponents have tried much to obtain empirical evidence and validate their theory. There has been little effort since the foundation, and attempts have mostly focused on the effect of population size on birth and death rates. But, birth and deaths of organizations in a defined population requires more explanation than just by population size. There are also curvilinear relationships, timing, ageing effects, and such. Besides, internal organizational characteristics need to be taken into account while understanding organizational inertia to see the big picture (Donaldson, 1995). However, natural selection model of population ecology ignores them as if they are irrelevant (Aldrich and Pfeffer, 1976). Moreover, there also exist "non-density based alternatives to study legitimation of organizational forms that are both fine-grained and generalizable" (Baum and Powell, 1995, p. 536). Considering these deficits, Young (1988) claims that theory has not contributed to understanding of organizations.

Furthermore, biological metaphor rooted in population ecology, and its translation from organisms to organizations is highly problematic. For example, Darwinian natural selection does not explain the merge of two organizations, but only birth and death; and survival can only be explained for large organizations from environments of small organizations. Also, in its original form, there are some mechanisms that allow natural selection work such as genetic inheritance. When someone applies these basic assumptions to the organizations and populations, it becomes meaningless, and makes the Darwinian theory inapplicable to organizations indeed (Donaldson, 1995). It's not just that, there are more inapplicability arguments of human ecology on organizations. Human ecology, which assumes species as free actors, has been patched to business environment, which is characterized by dependence relationships. Organizations are not free from their branches, headquarters; governments, schools, agencies are also dependent on some other actors in the environment. So, it is questioned as to whether application is convenient or not. More importantly, conceptual definitions of the major terms borrowed from biology field are generally vague, so it becomes troublesome to distinguish some concepts and propositions from others. Articles on population ecology of organizations are difficult to read due to lack of clarity, while the original human ecology is easier to comprehend (Young, 1988).

In addition, there is a major limitation about the base argument of adaptation. Population ecology asserts that organizations fail to adapt or become too late to adapt changing environmental demands because of inertial pressures. However, under some circumstances adaptation becomes possible, and it further makes impossible to apply the theory. If the environment is highly stable, or if the rate of required change is slower than the rate of change in the organization, organizations can match the demands of the environment. And contrary to the de-emphasis of population ecology on adaptation, they can actually adapt to their environments. Thus, the main argument of the theory fails, and population ecology only operates under some contingencies, according to Donaldson (1995).

5. A Comparison of the theories

Common to all four theories examined until now is the shared concern on environmental pressures that shape organizations; that is to say, environment is important in understanding the acts of organizations. In that vein, all of them believe that survival and prosperity require a certain fit between the organization and the environment. And environment stands as a constraining factor against the organization. But, besides these basic ideas shared about the environmental constraints, all of them diverge sharply in terms of fundamental assumptions, unit level of analyses and research approaches, bases of organizational success, approach to adaptation, sources of constraining factors, role of organization against the environment, and the effect of

internal power structure from one another, with a deliberate effort. Table 1 captures the essence of differences argued here.

The first difference between these four theories is their unit level of analysis. Both contingency theory and resource dependence theory are formulated at the level of organization, and both institutional theory and population ecology are formulated at the level of environment. But, institutional theory specifically works in institutional fields or institutional sectors, while population ecology can be applied in a specified population of organizations. Parallel to this, their methodology diverges. Contingency theory mostly uses quantitative measures to understand the relationship between internal efficiencies and performance outcomes, such that RDT does in order to measure dependencies and their results. Institutional theory again tends to use quantitative data mostly, but needs to undertake more qualitative research that fits better with fundamental elements of symbols, ceremonials, and myths rooted in theory. On the other side, population ecology tends to analyze longitudinal data to best capture births and deaths of the organizations at different times in history of a given population.

There is also a sharp discrepancy between these different paradigms in terms of bases of organizational success. According to contingency theory the key to organizational effectiveness is to maintain fit between organizational structure and contingency factors. Resource dependence models see maximization of organizational power by acquiring and maintaining the needed resources as the most important determinant of success. On the other hand, institutional theory and population ecology of organizations argue that isomorphism determines prosperity, and the very existence of the organizations in the long run. However, institutional theory focuses on institutional isomorphism and legitimacy, while organizational ecology emphasizes on competitive isomorphism and differential survival. "Isomorphism can result either because non-optimal forms are selected out of a community of organizations or because organizational decision makers learn optimal responses and adjust organizational behavior accordingly" (Hannan and Freeman, 1977, p. 939). Institutional isomorphism grasps the latter explanation, and centers upon politics and ceremony that pervade in organizational life. In order one organization to be successful, it is necessary to act in accord with wider environmental demands and gain legitimacy (DiMaggio and Powell, 1983). Distinctly, population perspective believes that it is the environment, which optimizes; thus the former explanation fits with selection processes. And a focus on selection brings out competition; organizational forms compete with each other for essential resources and survival. At the end, environment decides the most suitable organizational form (Hannan and Freeman, 1977).

Additionally, there is a fundamental paradigmatic difference between these theories regarding their approach to adaptation. Although all of them believe that survival and prosperity require a certain fit between the organization and the environment, both their focus and acceptable amount of degree of fit differ. Contingency theory argues that adapting to environment by changing influential task contingencies generates high performance and success, and offers frequent adaptation of structure. It concentrates on managerial adaptation to find the fit with a more focus on internal environment. RDT has a more restricted stance on the effect of internal contingencies on organizational performance; there is a reciprocal relationship between organizations and their environments that organizations are able to affect their environments as well. Organizations have an active role towards environmental demands, and have more options than simply adapting to every contingency. Besides, it focuses on holding power to acquire needed resources, rather than changing tasks, and argues that external environmental relationships have more effect on organizational success. Institutional theory accepts adaptation as well, but in a less restricted manner. According to institutional theory, organizations adapt their structural elements that fit better with the wider environmental demands, and organizations have less choice due to high conformity pressures. Organizations may change their internal structural elements to the extent permitted by institutional environment, but the aim is generally to meet demands for

Table 1. Comparison of the theories

	Contingency theory	**Resource dependence theory**	**Institutional theory**	**Population ecology theory**
Level of analysis	Organization	Organization	Institutional fields	Population
Methodology	Quantitative	Quantitative	Qualitative	Longitudinal
Adaptation approach	Adaptation (High)	Reciprocal adaptation	Restricted adaptation	De-emphasizes adaptation
Change focus	Changing internal tasks for effectiveness	Changing power relations to acquire resources	Changing structural elements for legitimacy, not for efficiency	Change achieved through differential selection to survive
Success criteria	Fit between structure and contingency factor	Maximizing organizational power by acquiring needed resources	Institutional isomorphism & legitimacy	Competitive isomorphism & differential survival
Constraining factors	Size, technology, strategy	Patterns of transaction and exchanges	Social rules, expectations, norms and values	Age & size, niche-width & density, institutional structures & technological innovations
Internal power structure	Neglected	Adaptive	Separated	maladaptive
Depiction of organization	Passive	Proactive & highly powerful	Slightly active	Passive

legitimacy not for efficiency/effectiveness. On the other hand, population ecology defines fitness as "the probability that a given form of organization would persist in a certain environment" (Hannan and Freeman, 1977, p. 937) while emphasizing change achieved through differential selection by births and deaths. In essence, theory completely rejects adaptation by 'de-emphasizing' it.

Environment of an organization is seen as a constraining factor in all four theories, but sources of constraints differ among them. In contingency theory, constraining factors include size, technology, and strategy. In RDT, these factors are patterns of transaction and exchanges; while in institutional theory they take the form of social rules, expectations, norms and values (Pfeffer and Salancik, 2003). When it comes to population ecology, demographic processes (age and size), ecological processes (niche-width and density), environmental processes (institutional structure and technological innovations), as well as blind variation and chance are what limits the organizations.

Furthermore, theories have different assumptions and opinions for the depictions of organizations against the environment. Both contingency and population ecology theory sees organizations as highly passive from a fatalism viewpoint. From the contingency perspective, only role of the organization against the environmental demands is to adjust their internal structure, and adapt to changing environment. On the other hand, population ecology perspective is even against the adaptation, and argues that environment decides which organizational forms are better suited in a certain population. According to both RDT and institutional theory, organizations are active players, but in highly differing degrees. RDT argues that organizations are highly powerful that they can even control their environments proactively through some tools such as M&A's and lobbying. But, institutional theory asserts that it is slightly possible to have an effect on the wider environment due to high conformity pressures.

Finally, the role and effect of internal power structure diverges in these four theories. One of the most criticized features of contingency theory is its over-emphasize on the internal structure. It attaches great importance to internal characteristics to sustain environmental demands, which in turn leads to high performance (Donaldson, 1995). However, internal 'power' structure is neglected by the theory, thus one can infer that it is seen as highly passive. RDT argues that empowering the managers or internal groups which best deal with the external contingencies helps organizational adaptation (Pfeffer and Salancik, 2003), thus seen it as highly adaptive. On the other hand, population ecology perspective neglects internal structure, but not internal power structure. Resistance to change of internal structure viewed as the source of demise of the organization (Hannan and Freeman, 1977). Powerful internal actors only wish to maintain the same status-quo, and resist to change; thus intraorganizational arrangements required to keep up with environmental demands would be subject to inertia, and in the long run it would eventually lead to organizational death (Donaldson, 1995). Moreover, institutional theory separates internal and external power holders in order to adjust efficiency and legitimacy demands of technical and institutional environments. With the help of this separation, organizations can perform their core activities autonomously while obeying ceremonial rules at the same time. Institutionalized rules may distort efficiency of organizations if they are attached, because the only consideration of the organization becomes to maintain its legitimacy in institutional environments.

Concluding Thoughts

This paper aimed to look through the fundamental contributions of four fundamental theories of organizations: contingency theory, resource dependence theory, institutional theory, and population ecology theory of organizations. At the end of each theory review, major critiques raised against them were also mentioned. After reviewing all of them, a comparison made among them. Although all these theories have concerns about environmental constraints on organizations and they all seem highly similar and compatible theories at first glance, they are extremely different from one another.

According to Donaldson (1995), until the field of organization theory has fragmented into several paradigms for novelty-seeking attempts, only one unifying theoretical approach reigned over: structural contingency theory. Population ecology, institutional theory and RDT have rejected and risen to challenge contingency theory by offering a radically new view apart from contingency approach and from each other. As a result of these deliberate efforts, there are sharp differences between each of them. Because of these discrepancies and fragmentation, organization theory is no longer being able to offer advice to practitioners on how they survive and prosper (Donaldson, 1995). He also offers an integrative argument seems highly plausible at first:

> "Organizations tend to a degree to adopt interorganizational linkages which facilitate their acquisition of needed resources; however they also tend to a degree, to adopt structural elements from the institutional environment to ensure legitimacy and support; both these mechanisms tend to help survival to a degree, however these adaptations are insufficient for some organizations and so they die out, especially in the demanding environments where presently occupied niches are fast disappearing."

Although rendering these four theories and creating an integrated model may seem meaningful and may provide more benefit if possible, they have to compromise much from their basic assumptions and arguments. As going deeper, differences become much more obvious. They are established on a common theme, namely environment. But their unit level of analysis, research methodologies, success criteria, approaches to adaptation, depictions of organizations and internal power structure against the environment are highly distinctive. Besides, all have flaws and problems like all the other theories in the science world; combining them in a super-meta-theory may create more problems than benefits in an effort to create synergistic effects.

Having thought of the lack of appropriate research on these theories that were mentioned as a critique in the literature, further studies should focus on research on these subjects. Researchers on contingency theory may add more elements to their research, either as an additional element or as control variable, in order to measure the effect of the environment on organizations, rather than only focus on size, technology, and strategy. Further RDT research may examine suggested techniques to gain power over other actors in the environment more to understand the proper conditions for these techniques and to improve implications for the work environment. In order to improve institutional theory, more researches by using qualitative techniques especially with the help of institutional narratives are necessary. As for population ecology theory of organizations, current focus on birth and death rates of organizations in certain populations may be shifted to other areas such as institutional structures and technological innovations. And as a bold advice, one should avoid trying to combine these theories while doing research.

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ETİK ve BİLİMSEL İLKELER SORUMLULUK BEYANI

Bu çalışmanın tüm hazırlanma süreçlerinde etik kurallara ve bilimsel atıf gösterme ilkelerine riayet edildiğini yazar beyan eder. Aksi bir durumun tespiti halinde Afyon Kocatepe Üniversitesi Sosyal Bilimler Dergisi'nin hiçbir sorumluluğu olmayıp, tüm sorumluluk makale yazarlarına aittir.