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Mechanisms and the Theory of Organizations

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The theory in organization theory has become increasingly hard to find in recent empirical research as most current researchers identify their work in terms of the phenomena they study rather than the theoretical tradition in which they operate. This theory drought arguably flows from the limitations that 1970s-era organizational paradigms face in explaining contemporary organizations. This article argues that the greatest strength of organization theory as a field is not particular theoretical paradigms but rather the field's non-obvious mechanisms of aggregation that generate order, in firms and elsewhere. The thoughtful use of social mechanisms, in service of problem-driven research, can provide a unifying device for the field of organization studies.

Keywords: organization theory; social mechanisms; paradigms; aggregation

Organization theory has reached a peculiar stage in its development. Despite recent high-volume debates around paradigm consensus (pro and con), the applicability of organizations research (pro and con), and speaking truth to power (pro and con), the *theory* in organization theory is largely tapped out. For me, the evidence for this came in a couple of forms. First, I recently catalogued published research on organizations and environments since 1990 to write a review chapter for the *Handbook of Economic Sociology* (Davis, 2005) and was somewhat surprised to find that theory-testing papers were rare in recent work. Relatively few macro papers set out to test a particular theory about organizations.

(The main exception to this generalization was the 10% or so that set out to test ideas in population ecology.) Instead, most papers were multitheoretical, developing hypotheses that drew on a combination of theories to explain some phenomenon in the world (an approach I would call problem driven rather than theory driven).

Second, as program chair for the Organization and Management Theory (OMT) Division of the Academy of Management for 2005, I oversaw the review process for 429 submissions (357 papers and 72 symposium proposals). Authors were asked to categorize their paper using 3 keywords from a list of 39, 11 of which were theories: agency theory, chaos or complexity the-

ory, contingency theory, ecology (organizational and population), evolutionary theory, feminist theory, game theory, institutional theory, postmodern theory, resource dependence theory, and transaction costs theory. The most commonly used keyword was institutional theory (used by about 25% of the submitting authors to describe their work). But the next most prevalent theory keyword after that was ecology, which—at number 20—was used by less than 6% of authors. In other words, only one theory broke into the top half of the list, and most authors did not refer to theory when categorizing their work. When authors chose their own keywords rather than selecting them from a list, theory was even less prevalent: 79% of keywords were only used once, and institutional theory (again the most common keyword) appeared on less than 5% of submissions.

Why the theory drought? One possibility is that the pressing empirical problems have already been solved using extant theory. I will leave it to readers to mull the plausibility of this interpretation. Alternatively, I have argued elsewhere that the world has changed in ways that outstrip the ability of organization theory to explain it. The most powerful organizations that we have today—multinational corporations—look little like the stable, bounded (but permeable) actors described by the dominant theories developed in the 1970s. They are footloose with respect to nationality, industry, and employment. Domestically oriented corporations that employ people who manufacture things have been replaced by disaggregated legal fictions that coordinate contractual ties to other businesses around the world. As Martin Wolf (2004), paraphrasing Stalin, put it in *Why Globalization Works*, “The interests of a transnational company are not the same as those of the country from which it originates or of the workers it has historically employed. It has become, to coin a phrase, a ‘rootless cosmopolitan’” (pp. 243-244). Moreover, organizations are better construed not as timeless things but as adaptable tools for which change is intrinsic: “The notion of a ‘theory of organizations’ now seems like naïve scientism, like a theory of diesel trucks, or a theory of hitchhiking. Organizations simply aren’t the kind of thing amenable to general theory” (Davis & Marquis, in press).

For organization theory, this is an existential crisis. The precedent set by phrenology does not augur a promising future. One characteristic response for organizational scholars has been the flight into method—substituting high-end statistical arcana for a

substantive problem sense. But even the Huber-White sandwich estimator cannot make up for poor specification of constructs and a weak measurement theory. And it is unhelpful to have sophisticated regressions to tell us things we don’t need to know.

An alternative response is suggested by the mechanisms movement in the social sciences. Abandoning the notion of general theory about social phenomena does not rule out the possibility of rigorous, thoughtful work with the prospect of applicability beyond its original location (see Hedstrom & Swedberg, 1998, for several statements of this approach). Focusing on carefully articulated mechanisms can allow the field of organization theory to bring back narratives into its explanations.

ORGANIZATION THEORY AND MECHANISMS OF AGGREGATION

Organization theory takes as its objects the processes and structures that order social and economic life. Here is how this is described in the OMT Identity Statement:

The Organization and Management Theory division is a community built from a common desire to develop and promote understanding of organizations and organizing . . . We stand at the intersection of micro and macro, providing a context for mutually-beneficial intellectual engagement across disciplinary and other boundaries . . . Both formal, bounded organizations as well as organizing processes are appropriate objects of investigation for our members.

To the extent that this description holds for the field of organization theory, then a distinctive strength of organizational researchers must be an understanding of aggregation processes: how the actions of individual actors (persons, organizations) become the actions and structures of collectives. This is where a focus on mechanisms comes in.

There are several definitions of social mechanisms, but consider the one offered by Art Stinchcombe (1991): mechanisms are “bits of theory about entities at a different level (e.g., individuals) than the main entities being theorized about (e.g., groups), which serve to make the higher-level theory more supple, more accurate, or more general” (p. 367). From this definition, it should be clear that mechanisms are essential tools in the kit bag of organization theorists. Anyone doing organization theory should be a skilled user of

theoretical mechanisms. Moreover, I would argue that to the extent that organization theory is worth doing, it is about non-obvious aggregation—instances where a macro process (at the level of, say, organizations or fields of organizations) is not a simple aggregation of micro processes. The process by which votes are counted and a simple majority takes the election does not require much theory. The process by which hundreds of parts from dozens of companies employing thousands of persons spread around the globe—who have no awareness of each other's existence—manage to be assembled into a working automobile requires some theory.

Many of the essential works of organization theory and other forms of social theory are classics of mechanism-based theorizing about aggregation. March and Simon (1958) addressed an interesting puzzle: If individuals one by one are boundedly rational—or even downright dense—then how can putting a lot of them together in an organization lead to anything but disaster? It is a cliché that a chain is only as strong as its weakest link, yet complex organizations are made up of nothing but weak links. Yet hierarchical organizations are enormously powerful at accomplishing actions well beyond the grasp of individual members. How? March and Simon answer that hierarchies divide the labor into discrete, cognitively manageable tasks and then reaggregate the product of these tasks into a whole. This is non-obvious aggregation.

Mancur Olson's (1965) logic of collective action implies that rational individuals will be free riders when faced with collective goods, enjoying their benefits while contributing nothing to their creation. Voting, donating funds to public television, or joining a social movement are all more costly for the average individual than is the expected value of the outcome they create for that individual. Thus, collective action is itself a puzzle, or non-obvious aggregation, requiring extraordinary devices (selective incentives, coercion) to bring it about. Thomas Schelling (1978) famously demonstrated that residential segregation can result from very small preferences among residents for "people like us." Although observers of segregated neighborhoods might reasonably infer that such remarkable outcomes must be the result of rampant racism among residents, Schelling showed how slight preferences can aggregate over time, as people move in and out, into cities where residents rarely have neighbors of another race (an animated demon-

stration of this process is available online at <http://www.theatlantic.com/doc/prem/200204/rauch>).

The literature on diffusion of innovation is well known among organizational scholars and shows another family of mechanisms for non-obvious aggregation. Everett Rogers's (2003) compendium describes a large number of paths that innovations in networks can take. Innovations may start on the periphery, gather momentum among an adventurous few, then spread widely via observation (e.g., body piercing). Or innovations may be legitimated early on by central actors and thus diffuse quickly as lower status actors mimic the practices of higher status actors. Or adopters might only follow the lead of actors like themselves, thus stalling the diffusion process early on or creating localized pockets of prevalence. Or individuals might evaluate innovations on their own merits, oblivious to the adoption choices of those around them, leading to a slow-and-steady diffusion process. Diffusion, in short, can take many different paths, and all of them have been well documented in the past, indicating an array of non-obvious aggregation patterns.

More recently, Duncan Watts (1999) and his collaborators have shown how the small world problem (the surprising finding that, although most of our acquaintances are also neighbors, when we meet a new person from far away, we frequently find that we have an acquaintance in common—six degrees of separation) can be explained by certain mathematical properties of networks and is relatively easy to accomplish with a few plausible assumptions about network growth. Thus the fact that the elites overseeing corporate America all seem to know each other—long explained with reference to social clubs, elite prep schools, secretive organizations, and the like—turns out on close examination to be an intrinsic property of social and other networks, requiring no particular institution or conspiracy to bring it about (Davis, Yoo, & Baker, 2003).

In each of these cases, one explains non-obvious aggregate patterns (smart organizations composed of dumb members; collective action brought about by individuals whose incentives favor inaction; residential segregation arising in the absence of rampant racism; the rapid spread of bad ideas and the stalled diffusion of many good ones; the fact that we are all connected by a few friends-of-friends) by carefully specifying the links from micro to macro.

MECHANISMS AS A LINGUA FRANCA

One reason that institutional theory has become the dominant organization theory may be its relatively relaxed requirements. Institutional theory has few if any falsifiable implications. (A study finding that every individual in some organization had behaved rationally would be taken as evidence that the "logic of rational action" had become a "taken-for-granted myth" in that context.) Rather, institutional theory is a generic perspective, a set of ideas and problems that serves as a rough guide to questions worth asking that seems to fit with the kinds of problems researchers find interesting these days. But this characterization is also broadly true of most theories of organization. They provide families of problem-types and some suggested tools for addressing them rather than hypotheses to be falsified. One sign of this is the fact that although dozens of studies have purported to provide critical tests to adjudicate between theories, the contests always seem to end as a draw—a Stanley Cup playoff that never ends.

Organizational theories are not falsified because they are assemblages of mechanisms, "sometimes-true theories," as James Coleman (1964) put it, that turn out to be sometimes true. Much like the entrees at Taco Bell, our theories are built from a small set of ingredients (mechanisms) such as tortillas, beans, rice, lettuce, and tomatoes, with a deep fryer on the side. If you roll all the ingredients up in a soft tortilla, it's a burrito (or, say, contingency theory). Roll it up and deep fry it and you have a chimichanga (or resource dependence theory). Fry the tortilla, then fill it, and it is a taco. Fry the tortilla in a bowl shape and fill it with mostly lettuce, and you have a taco salad.

At bottom, there are a relatively small number of mechanisms that are parts of sometimes-true theories useful for explaining problems around organizations and organizing. Thus theoretical engagement and debate should not be around whether the theories are true or not but around the best use for their component mechanisms. The positive aspect of this is that mechanisms provide a lingua franca, a common set of ideas that can be drawn on, refined, and elaborated without the heavy drama of battling ersatz theories.

WHAT NEXT: BETTER PROBLEMS, BETTER USE OF MECHANISMS

Professor Kathleen Sutcliffe's seminar on mechanisms of organized action provided an opportunity (or perhaps a mechanism) to advance this discourse. By focusing on underlying mechanisms, Professor Sutcliffe encouraged researchers and the course participants to locate commonalities and divergences across very different types of organizational research. As a heuristic, it provided a way to find deeper connections among researchers whose work, on the surface, seemed to have little in common. For some of us it was like discovering that we were all secretly Grateful Dead fans (or that we were all really doing diffusion-of-innovation studies, regardless of what the purported topic was).

Going forward, more self-conscious use of mechanisms by researchers is likely to create better middle-range theory. That is, rather than focusing our firepower on locating problems that can be addressed via regressions, we can work on locating questions that allow the better articulation of mechanisms or contrasting alternative mechanisms. The result is not likely to be verification or falsification of theory: "Diffusion of innovation" may be more or less applicable, but it is not true-or-false. Rather, we can hope to expand our understanding of organizations and organizing. The standards of evaluation for research, then, will not include the inevitable question, "What does this contribute to theory?" but rather, "What does this contribute to understanding?"

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