Matching Managerial Strategies to Conditions of Decline

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Interest in organizational decline has grown in recent years as taxpayer revolts, a stagnating worldwide economy, federal cutbacks, and problems of an aging population have become common fare in the mass media. Not only are bankruptcies at an all-time high for private sector organizations, but organizations in the public sector also are being buffeted by increasing demands for services while receiving proportionally fewer resources (Levine, Rubin, and Wolohojian, 1981; Starbuck and Nystrom, 1981). Frequently, however, those who write about decline treat it as an aberration from excpected organizational growth patterns, or as a temporary inconvenience to be endured until things get better (Taylor, 1982). Much of the literature in the organizational sciences continues to assume growth as the dominant, and desirable, mode for organizations.

Whetten (1980a) pointed out, for example, that two of the most popular organizational design models, produced by Galbraith (1977) and by Lawrence and Lorsch (1967), contain implicit biases toward growth. Both models are based on the assumption that organizations are successful to the extent to which they match environmental conditions. As turbulence, uncertainty, and increasing amounts of information are encountered by organizations, the prescriptions of these models are to differentiate and add boundary spanning or information processing units—that is, to expand or grow. Under conditions of decline, with diminishing resources and organizational slack, such strategies often are both impossible and unlikely to improve organizational adaptability.

Other examples are models of organizational change as organizations progress through their life cycles. Of the ten models of life cycle development reviewed by Quinn and Cameron (1983), only one paid any attention to organizational decline (Adizes, 1979). The other nine either ignored the phenomenon or assumed an unending pattern of growth for organizations. The bias toward growth as a natural and desirable state of organizations permeates those models.

This implicit emphasis on growth among organizational scholars has inhibited the development of theories of adaptation to decline, and much of the literature on the subject still lacks integration. A recent bibliography

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by Zammuto (1982a) shows, for example, that most of the literature on decline has appeared since 1979, and no unified or consensual perspective has been produced. Little integration or model-building has occurred, and much of the writing is still arm-chair theorizing, personal recollections of managers, or descriptions of isolated case studies.

A survey of this literature makes it clear that these case study descriptions and accounts of personal experiences in declining organizations are not always describing the same types of phenomena. Decline in the oil refinery industry, for example, is not at all the same as decline in public school systems. Causal factors as well as managerial responses differ dramatically. We concluded that if decline was to be taken seriously as a continuing fact of organizational life, a framework or typology of different decline phenomena would be needed as a first step in identifying the most successful ways to manage it. The intent of this article is to examine such a typology, and to show how different managerial strategies can be matched with different types of decline. Our intent is to suggest guidelines for managers that can be used as they diagnose and help their organizations adapt to conditions of decline.

DEVELOPING A TYPOLOGY OF DECLINE

We first began to notice that organizations experience different types of decline in our investigations of the U.S. automobile industry (Zammuto, 1982b), the U.S. tobacco industry (Miles and Cameron, 1982), and American colleges and universities (e.g., Cameron, 1983; Zammuto, 1983). Moreover, we noticed a wide variety of strategic and tactical responses that were associated with those various decline conditions, some of which were successful and some of which were not. Some of the successes could be accounted for by particular organizational strengths, outstanding managerial competencies, or just plain luck. But it also became evident that characteristics of the external environment played a dominant role in determining successes and failures of managerial responses during periods of decline. As conditions in the environment changed, different kinds of constraints were imposed on organizations and different organizations experienced qualitatively different conditions of decline.

It seemed appropriate, therefore, to identify characteristics of the environment that produced different types of decline and then to identify managerial responses that appeared to be most appropriate in each of those conditions. Our typology of decline, therefore, is based on changes in the external environment. We ignore the kinds of decline that result from mismanagement or mistakes in organizations, and instead consider only the kinds of decline that are induced environmentally. This emphasis on changes in the external environment as the precursor to decline points out that nearly all organizations may face these conditions at some time, and they are not just aberrations from an expectation of continued growth.

DECLINE AS A PRODUCT OF THE ENVIRONMENT

To understand our typology of decline, it is first necessary to discuss the nature of the environment of organizations and to explain the types of changes that occur in that environment. The environment can be thought of as being composed of an assemblage of *niches*. A niche is a segment of the larger environment (Hutchinson, 1957) that is bounded by such factors as the availability of resources to support an organization's activities, constraints such as technology and culture, and the presence of consumer demand for organizations' outputs (see Zammuto and Cameron, 1983, for a more extensive discussion). The level and types of organizational performance that a niche will support is continually being altered as resource availability, constraints, and output demand change over time. These changes create the conditions of both growth and decline for organizations. ~~We are~~ The model is particularly interested in the situation where these changes reduce the size of a niche or modify its configuration, creating conditions of decline. These changes may take many forms, including decreased demand for products or services, increased government regulation, technological development rendering current products or services obsolete, or a decrease in the general level of resources in the environment. While many types of changes can create conditions of decline, we focus primarily on resource scarcity and the changing acceptance of organizational outputs as its major causes.

Two types of changes can occur in niches that cause decline: decreased resource availability that reduces the size of a niche, or changes in preferences for the outcomes of organizational performance that result in decreasing demand. This latter condition constrains the types of performance in which an organization can engage. In the first condition, a smaller niche requires a lower level of organizational activities because of a declining resource base. In the second condition, the niche is changing so that it no longer supports the types of activities in which organizations have been engaged. The original niche may evolve into a different niche which supports a different set of organizational activities or it may cease to exist entirely.

Figure 1 depicts a niche shrinking from A to B because of a declining resource base. Niche B cannot support the same level of organizational activity as could niche A, because of either reduced availability of raw materials (input shrinkage) or a reduction in the demand for the organization's outputs (output shrinkage).

An example of a reduction in niche size is provided by the case of the city of Oakland, California, in the late 1970s. The reduction of resources available to the city reduced the size of the niche supporting municipal services. The resource base eroded because of a precipitous decline in population during the 1970s, a higher than average rate of unemployment in the city, a doubling of the proportion of minorities—many of whom were marginally employed—a slowing of growth in sales tax revenues,

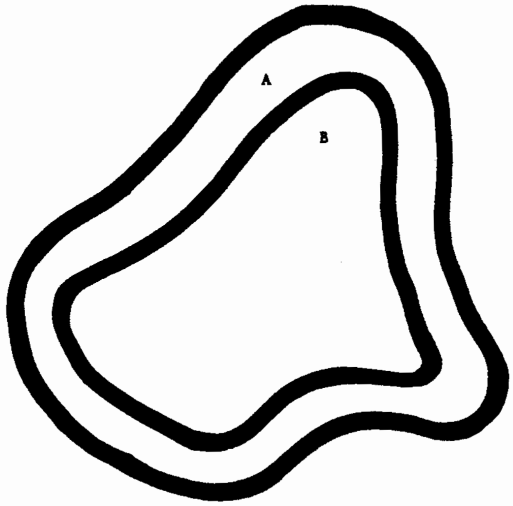

Figure 1. Change in the size of an environmental niche.

and the passage of Proposition 13 which limited the property tax base of the city (Levine, Rubin, and Wolohojian, 1981). These conditions all combined to create a niche much smaller than before, so that lower levels of organizational activity were required in order to survive in the smaller niche.

Figure 2 represents a niche undergoing a qualitative change in configuration. This figure reflects the evolution of niche A into niche B; niche A is abolished or is subsumed by niche B. Only the area of intersection between A and B is left of the original niche. The implication is

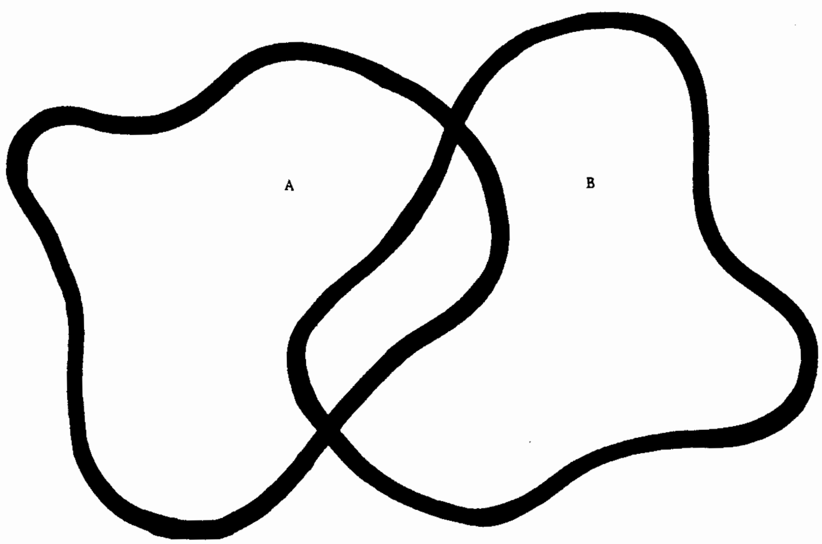

Figure 2. Change in the shape of an environmental niche.

that new forms of performance are required of an organization in niche A if it is to survive the transition to niche B.

The experience of the American automotive companies during the 1970s provides a good example of one niche evolving into another; or of shrinkage in one niche resulting in the expansion of another. Historically, the U.S. automotive manufacturers produced large, relatively fuel-inefficient vehicles for the U.S. market. Through the late 1960s and early 1970s, changes in several conditions occurred that led to decline: the growing internationalization of the global automotive industry, increased government regulation, increased gasoline prices in the U.S., and increased import competition in the U.S. market (Zammuto, 1982b; Doz, 1981). By the late 1970s, the niche had evolved so that while the American manufacturers could still sell some large automobiles (the previous niche), the bulk of the market had shifted to smaller, more fuel-efficient vehicles by the end of the decade (the new niche).

In addition to changes in the size and configuration of a niche, another factor closely related to decline is the continuity with which decline occurs. That is, a decline in the availability of resources can occur suddenly, or there can be a sustained, continuous decline in resource availability. Schendel and his associates (Schendel and Patton, 1976; Schendel, Patton, and Riggs, 1976) suggested that the pattern of change in the external environment is an important factor in determining managerial responses to decline. Two patterns of change can be discerned in their findings: continuous change and discontinuous change. Continuous change represents relatively smooth change; change is largely uninterrupted, and past trends are good predictors of the future. Discontinuous change represents sudden change where the past is not a good predictor of the future. A major shift occurs in the trends experienced in the past. When a continuous decline occurs, organizations have more opportunity to plan for adaptation than when discontinuous decline occurs. Hence, organizations often are affected differently by conditions of decline depending on whether it is continuous or discontinuous. These two conditions are really opposite ends of a continuum. But for purposes of simplicity, ~~we~~ the model treats them as discrete in discussing their effects on organizations.

A TYPOLOGY OF DECLINE AND MANAGERIAL RESPONSES

¶ ~~In~~ Figure 3, ~~we~~ presents ~~our~~ the typology of decline based on ~~the~~ these two factors ~~discussed above~~—the continuous or discontinuous nature of decline, and the type of change occurring in a niche. In each condition of decline, human resource issues arise within the organization that require unique managerial strategies to resolve them. For example, it is generally acknowledged that conflict increases within organizations that face decline (Whetten, 1980a), but our model suggests that the underlying sources

CONTINUITY OF ENVIRONMENTAL CHANGE

TYPE OF CHANGE IN NICHE CONFIGURATION	Continuous Change	Discontinuous Change
Change in Niche Size	*EROSION* <u>SOURCE OF CONFLICT</u> Stagnation <u>MANAGER–SUBORDINATE RELATIONS</u> Consultative	*CONTRACTION* <u>SOURCE OF CONFLICT</u> Threat <u>MANAGER–SUBORDINATE RELATIONS</u> Autocratic
Change in Niche Shape	*DISSOLUTION* <u>SOURCE OF CONFLICT</u> Contention <u>MANAGER–SUBORDINATE RELATIONS</u> Coalitional	*COLLAPSE* <u>SOURCE OF CONFLICT</u> Confusion <u>MANAGER–SUBORDINATE RELATIONS</u> Chaotic

Figure 3. A typology of decline and some human resource issues.

of that conflict may vary depending on the types of decline being faced. Similarly, working relationships between managers and subordinates are almost always changed by decline (Levine, 1978, 1979), but different types of relationships may emerge under different conditions of decline.

For example, organizations that encounter continuous decline in their niche's size experience *erosion*. Frequently, decline is gradual and predictable in these conditions. In this situation, stagnation and a progressive reduction in resources serve to heighten conflict over who will get less. While pressured to become more centralized, managers can remain consultative with subordinates since organizational survival is not immediately threatened. There is time to consider multiple alternatives and upward information flow is not entirely constricted.

Organizations that encounter discontinuous decline in their niche's size experience *contraction*. Because a sudden reduction in resource availability occurs, the organization's survival is in jeopardy. Conflict within the organization is a product of the experienced threat to existence, and autocratic management results. That is, there is little time for participative decision-making or information search, so management becomes highly centralized.

Dissolution is the type of decline experienced when change results in a gradual shift from one niche to another. Organizations' outputs progressively become less acceptable within the environment. Conflict arises over what new directions the organization will take to survive. As in a political process, coalitions form around various alternatives for changing the products or services of the enterprise. Upward information flow can continue inasmuch as the dissolution occurs slowly, but manager–subordinate relationships become more coalitional in nature.

Collapse refers to a rapid and dramatic condition of decline. Niche shape is altered suddenly and extensively, and the original niche often dissipates in a very short time. Confusion over what is the best path toward organizational survival contributes to increased levels of conflict. Managerial relationships with subordinates are generally chaotic and disorderly. It is difficult to determine what information is valid and reliable because of the constricted time frame in which the organizations must operate. Therefore, decisive leadership tends to be replaced by turmoil.

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USEFULNESS OF THE TYPOLOGY OF DECLINE

The usefulness of identifying a typology of decline is that it can help managers select appropriate responses when their organizations face reductions in resource availability or output acceptance. No single strategy is appropriate for each of the four conditions. Rather, the four types of decline require different managerial approaches if successful outcomes are to be achieved.

The literature on decline provides a wide variety of prescriptions for managing cutback conditions, yet many of these prescriptions are contradictory to one another. Some authors advise that managers take one stance toward decline, while others advise the polar opposite stance. For example, managers are told to be entrepreneurial and innovative on the one hand (e.g., Galbraith, 1982; Tyler, 1982), and cautious on the other (e.g., Campbell, 1982). Some authors prescribe managerial action that is rational and systematic (e.g., Levine, Rubin, and Wolohojian, 1981), while others advocate questioning, randomness, and playfulness under the threat of decline (e.g., Hedberg, Nystrom, and Starbuck, 1976; Weick, 1977). Some authors have reported evidence for successful adaptation as a result of implementing certain prescribed strategies (e.g., Cameron, 1983; Chaffee, 1983; Harrigan and Porter, 1983), yet other authors have indicated that none of the strategies are very effective. Thurow (1981) indicated, for example,

> Nothing has worked very well when it comes to coping with economic decline . . . My suspicion would be that no institutions manage decline very well. A look at private companies in areas where markets are contracting will show that they are almost always badly managed . . . The standard business advice is to move out of the sunset areas of the economy and into the sunrise areas. But this advice obviously is of no value to an enterprise such as government that is locked into a particular geographic region or a particular service line. . . Thus there may be no solution to the problem of how to manage decline well. It may simply be impossible.

One advantage of our typology of decline is that the divergent prescriptions for responding to decline are shown to be complementary, not contradictory. Each set of prescriptions is found to be appropriate in certain conditions of decline, but not others. The typology, therefore, serves a useful integrating function for adaptive decline strategies.

Under conditions of decline, managers are not only faced with varying prescriptions for how to respond, but they also are faced with personal and organizational pressures that make *any* intentional management response difficult to implement. The credibility and competence of the managers' themselves is often called into question when decline occurs, and political forces become more organized, vocal, and pervasive. Resistance to change is an initial reaction in threatened firms as past successes are relied on to justify current positions. Innovativeness is usually dampened, and an aversion to risk takes over. The well-known threat-rigidity response is typical of managerial action (i.e., managers become more closed and rigid when threatened), and "turf" consciousness leads to persistent self-protective behaviors. In turn, this leads to an increase in discord within the organization and to sagging morale. Information flow is almost always constricted, especially information from lower levels in the organization upward (see Staw, Sandelands, and Dutton, 1981; Whetten, 1980a, 1980b, 1981; Hermann, 1963; Billings, Milburn, and Schaalman, 1980, for elaborations of these points).

Under these conditions, guidelines that help managers both diagnose and respond appropriately to different types of decline are especially useful. Without some kind of framework or legend to help identify appropriate strategies, managers are pressured to engage in behaviors that frequently are productive neither for the organization nor for its individual members. Our model of decline is proposed so that both diagnostic and prescriptive guidelines can be provided for managers faced with these conditions of decline.

MANAGERIAL RESPONSES TO DECLINE

Successful managerial responses to decline can be organized along two main dimensions—behavioral tactics and domain selection strategies. Behavioral tactics are the immediate, short-term actions taken by managers when they become aware of the condition of decline. These tactics involve relatively minor adjustments and changes compared with domain selection strategies, which involve major adjustments in the organization and its activities and are usually long term in scope. Tactics are specific managerial actions that may lead to a strategic change (Thompson and Strickland, 1980).

Managers' tactics vary according to the condition of decline being faced. For example, managers generally are more inclined toward reactivity and defensiveness when the decline is discontinuous than when it is continuous. That is, when decline occurs suddenly, protective reactions are a likely first response. When the decline threatens the very existence of the niche (changes in configuration) as opposed to simply reducing the resource base (changes in size), managers are usually inclined toward proactivity rather than reactivity. This is because the manager must lead the organization into a new domain if it is to survive, and finding a new supportive niche requires initiatory rather than responsive behavior.

Tactics can be organized into four categories, as shown in Figure 4—enactive, reactive, proactive, and experimental. Each is associated with a different type of decline. Enactive tactics refer to instrumental activities that implement new kinds of managerial behaviors. Not only are new activities proposed, they are enacted or implemented. Reactive tactics are those implemented in direct response to a decline event, and not until it occurs. Proactive tactics attempt to anticipate environmental events and are implemented aggressively. Proactivity connotes taking the offensive. Experimental tactics are similar to trial-and-error actions taken when no clear alternative or model is present. Tentative actions are taken without much validating information.

The strategies employed in response to decline also vary under different conditions. In this discussion, we refer to *domain selection strategies* as being the particular kind of strategy that is most relevant.

Managers select specific domains that are supported by the resources

	CONTINUITY OF ENVIRONMENTAL CHANGE	
TYPE OF CHANGE IN NICHE CONFIGURATION	Continuous Change	Discontinuous Change
Change in Niche Size	*EROSION* TACTICS Proactive STRATEGIES Domain Offense	*CONTRACTION* TACTICS Reactive STRATEGIES Domain Defense or Consolidation
Change in Niche Shape	*DISSOLUTION* TACTICS Enactive STRATEGIES Domain Creation	*COLLAPSE* TACTICS Experimental STRATEGIES Domain Substitution

Figure 4. Managerial responses to conditions of decline.

present in the niche in which their organizations exist. Organizational domains refer to the population served, the technology employed, and the service rendered by the organization (Meyer, 1975). They are identified by examining the major activities pursued by the organization (Cameron, 1981). Most organizations have a core domain or a "primary task" (Rice, 1965) that defines the character of the organization. In conditions of decline, this core domain may be threatened by a reduction in the resources available in the niche (changes in niche size) and by the evolution of the niche itself (changes in niche configuration). Different types of decline require different types of domain strategies ranging from defending a current domain to creating a new domain or substituting a new domain for an old one.

The four types of domain selection strategies associated with the four types of decline are domain offense, domain defense or consolidation, domain creation, and domain substitution (see Fig. 4). Domain offense strategies expand the current domain of the organization and are designed to create organizational slack. Domain defense or consolidation strategies are designed to reduce the size of the domain occupied by the organization and to protect the core domain from being abolished. Domain creation involves diversifying and supplementing the current domain with other more protected domains. Domain substitution strategies completely replace the current domain with another existing domain.

MANAGING CONDITIONS OF DECLINE

In a condition of *erosion*, organizations are faced with a continuous shrinkage in the size of their niche which is not likely to present an immediate threat to organizational survival. A climate of stagnation exists. Wildavsky (1972) suggests that such conditions provide managers with the opportunity to establish new priorities, to alter resource or product mix, or to puruse new activities aggressively. Under normal conditions, organizational inertia inhibits many new activities to be pursued, but a condition of gradual resource cutback provides the impetus for proactive managerial action. In a condition of erosion, therefore, successful managerial action tends to be *proactive*, leading toward *domain offense* strategies, or the expansion of the organization's domain.

An example of the management of erosion is provided by Miles and Cameron's (1982) and Hopkins' (1983) studies of the U.S. tobacco industry. Over the 30-year period studied by Miles and Cameron, the six U.S. tobacco firms displayed several different kinds of tactics and strategies as their environmental conditions changed, and several types of decline were encountered. Hopkins, however, identified a particular time period when erosion was the dominant condition of decline faced by these firms (1965–1970). That is, per capita consumption of cigarettes was gradually declining in each of these years, and average tobacco acreage harvested gradually shrunk as well. Continuous shrinkage of niche size differentiated this period from others faced by the tobacco industry previously or afterward.

During this period of erosion, tobacco firms were characterized by proactive management and domain offense strategies. For example, Ansoff (1965) suggested three types of domain offense strategies that can be implemented by product-oriented firms: product development strategies (i.e., new, improved, or differentiated products for present customers), market penetration strategies (i.e., present products for present customers), and market development strategies (i.e., present products for new customers). Tobacco firms engaged in each of these three strategies under conditions of erosion significantly more than at any other time. That is, new cigarette brands were introduced at an accelerated rate (product development), advertising expenditures increased markedly (market penetration), and exports of cigarettes overseas grew substantially (market development) (see Miles and Cameron, 1982, and Hopkins, 1983, for supporting empirical data).

In a condition of *contraction*, organizations face a discontinuous, often unexpected, decline in resource availability. The niche is suddenly smaller, which leads to a threat-rigidity response on the part of managers. Staw, Sandelands, and Dutton (1981) documented a *reactive* response on the part of individuals faced with discontinuous decline in a variety of settings. Reactive behaviors dominate among managers as conservatism, across-the-board cuts, and other protective measures are used in an attempt to preserve organizational position within the niche. The manager is expected to buckle down and weather out what is often perceived to be a temporary inconvenience. The major concern is to conserve current resource levels until better times arrive. These reactive tactics employed by managers tend to lead to *consolidation* and *defense* of the traditional domain of the organization. Strategies are oriented toward the preservation of the organization's core until either conditions change or until strategic planning can occur.

An example of a condition of contraction is provided by the oil refinery industry in the United States. Clark (1976) identified four distinct time periods that this industry has encountered since 1950, based on an analysis of productive refinery capacity, expandable oil resources, petroleum costs, production levels, and other factors. These periods range from surplus and rapid buildup (1950–1957) to contraction (1973–1974) as a result of the Arab oil embargo.

The reaction of the 149 firms in this industry to the period of contraction was analyzed by Hopkins (1983). He used three different kinds of criteria to indicate domain defense or consolidation—cost reduction strategies, discontinued operations, and the narrowing of the range of investments. The purpose was to determine the extent to which firms trimmed "organizational fat," consolidated around their core domains, and became protective when facing a sudden reduction in the size of the environmental niche. His analyses confirmed that the most successful (profitable) firms did, in fact, engage in the predicted tactics and strategies as they encountered this period of contraction. Significant differences were found between the behaviors of these oil firms during this contraction period compared with periods before or after. Operations were discontinued, high cost and marginal activities were curtailed, and investments were withdrawn from unrelated (unconsolidated) subsidiaries. Less successful firms did not follow these tactics and strategies to the same extent.

The condition of *dissolution* is qualitatively different from erosion and contraction in that the environmental niche does not just get smaller, it threatens to evolve into a completely different niche. The acceptability of the outputs of the organization is in question. Managers find that they must enact or implement new alternatives in order for the organization to move into a new, supported niche. New resources are pursued, and new domains of activity are sought that may find legitimacy and acceptability. Because the decline is continuous, it usually can be predicted in advance and adjustments can be planned for. *Enactive* tactics are required of managers, then, which lead to *domain creation* strategies, or the diversifying of the organization's risk.

A recent example of dissolution involves small, private liberal arts colleges in the United States. Facing a changing economy and job market, liberal arts colleges in the 1970s began experiencing a gradual shift in student demand away from liberal arts courses and toward professional programs and the applied sciences. The liberal arts were criticized as lacking in relevance, and unemployed Ph.D.s in classics or philosophy became almost a cliche.

Chaffee (1983) studied the responses of 14 small, private liberal arts institutions to conditions of decline and found that successful institutions facing conditions of dissolution responded as suggested by the model. Rally College, for example, created management-oriented business and economics departments as well as programs in criminal justice and hotel/food service management when student enrollments began to decline (only 20% of Rally's students are now liberal arts majors). (Names of institutions in Chaffee's report are fictitious to preserve confidentiality for the institutions. All other data are accurate, however.) Prairie College maintained its liberal arts emphasis but implemented computer literacy requirements, a pre-med curriculum, and a career counseling service for all students at the school. Heartland College established joint programs with nearby universities and medical centers for purposes of career development. Crossroads College changed its name, dropped several liberal arts majors, and gave increased emphasis to technical and vocational programs. In fact, seven of the fourteen institutions studied by Chaffee successfully recovered from decline, and in every case, new domains were created and administrators enacted new internal changes as a response to their potentially dissolving niche.

The final condition of decline, *collapse*, refers to an immediate threat to the survival of the organization. Discontinuous change occurs in the shape of the environmental niche producing such catastrophic conditions that managers within the organizations are likely to have no previous experience to call upon for guidance. Past assumptions about cause-and-effect relationships are shaken. Managerial behaviors (tactics) are expected to be oriented toward *experimentation*, since the adaptations that will work under conditions of collapse are unknown. The lack of predictability and suddenness with which the decline occurs, coupled with a desire to have the organization survive the collapse of the niche, result in random trial-and-error responses by managers. New domains are tried on an *ad hoc* basis in hopes of finding a domain to *substitute* for the one that has collapsed. There is no time to plan for domain creation, so existing domains which have the needed environmental support are sought as substitutes for the nonsupported domain. Managers must be concerned primarily with finding resources and with identifying a domain that will be supported by a new niche. The first satisfactory alternative encountered is likely to be accepted (Simon, 1976; Hall and Mansfield, 1971; Hermann, 1963; Whetten, 1981).

An example of a collapse in an environmental niche can be found in the U.S. wrist watch industry, particularly as it affected U.S. Time Corporation. U.S. Time, the maker of Timex watches, had captured almost 50% of the domestic watch market by 1960 (Barney, 1978). Timex watches had become highly standardized with interchangeable parts, and they were manufactured and assembled only with U.S. Time's uniquely designed tools. Therefore, they were produced more rapidly and less expensively than any other watches on the market at the time.

The introduction of the first quartz digital watch in 1968 marked a radically different approach to watch-making, however. Whereas Timex watches had 98 movable parts (compared with about 120 for most other watches), the simplest electronic watch had 5 parts, none of which moved. Prices for electronic watches, however, were running from about $800 to $2000, far beyond the $7.95 Timex watches ("Why watch makers. . .," 1970). In 1971, Timex even introduced its own quartz digital watch that sold for less than $200, far below the price of its competitors ("The mainspring in Timex," 1971).

In 1975, however, an unpredicted niche collapse occurred for both expensive quartz watches and for inexpensive mechanical watches ("Digital watches. . .," 1975). Semiconductor companies (e.g., Texas Instruments, Hughes Aircraft, National Semiconductor) introduced digital watches for under $30. A year later in 1977, Texas Instruments introduced a digital watch for under $10. *Business Week* reported that "Timex. . . does not have a choice. It has to find a way to compete. The speed at which digital watch prices are falling forces Timex to buy a semiconductor company now" ("The $20 digital. . .," 1976). This is exactly what Timex did. Consistent with the predictions of the decline model, it substituted a new domain for its old domain by purchasing an already established semiconductor technology from RCA ("Buy of RCA's. . .," 1976).

CONCLUSION

This discussion of conditions of decline explains why there is such diversity in the literature on decline regarding prescriptions for adaptation. As we have illustrated, some conditions suggest that proactive, expansive responses are most effective, whereas other conditions suggest that the opposite kinds of responses (i.e., reactive, retraction) are more appropriate for organizational success. ~~This model leads to the~~ These findings support the conclusion that the prescriptions of various authors for coping with decline, which previously have seemed contradictory, are in reality complementary. Incompatibilities in the literature can be explained by the fact that they address the phenomenon of decline from different perspectives. No one prescription for managerial behavior is applicable or appropriate in every condition since they focus on different aspects of decline.

~~We do not claim~~, Of course, ~~that~~ the strategies ~~and tactics~~ suggested by ~~our typology~~ the model of decline are not the *only* ones that are effective, nor ~~that~~ do all successful managers and organizations implement them in adapting to decline. ~~The tactics and~~ Rather, the strategies ~~are presented, rather, as~~ assessed in this study are predicted to be the dominant responses that ~~frequently~~ appear in successful organizations ~~that are~~ faced with different environmental conditions. Their implementation has been found to be associated with successful performance, but they are by no means sufficient conditions for effectiveness in decline. Our purpose in pointing out these tactics and strategies is simply to help managers resist the pressures that arise from conditions of decline to become rigid, conservative, and self-protective. They may do so by having other alternatives in mind that have been found to be successful elsewhere.

Our discussion of the four conditions of decline also provides a model for diagnosing organizational environments. Whereas decline has generally been thought of as an aberration from the normal conditions of growth, we have pointed out that conditions of decline are a common environmental occurrence, and that different forms of decline present interesting new possibilities for organizations which may not be available during conditions of stability or growth. Given recent economic and government trends, it is less productive to think of decline as an exception to the desirable condition of growth, and more productive to consider ways to understand and manage its various forms well. Moreover, because decline is a multidimensional phenomenon, considering only one set of factors in diagnosing and responding to it may prove detrimental to long-term organizational survival. Managers should find this model useful, therefore, in identifying the nature of the decline that exists in their environment, and in selecting types of tactics and strategies for coping with that decline.

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