

A Summary of Theoretical Perspectives – Weberian, Behavioral, Contractual, Cultural

I offer this as a crib sheet of sorts to help us understand the basic points of difference and similarity between the four theoretical perspectives. Let me emphasize that there is no substitute for good reading of the theoretical literature assigned in class, and that what follows is a blunt distillation of theories and models.

The theories differ on their metaphor for organizations (Prussian military or machine, brain, contracts, social animals), their focus and core concepts (bounded rationality vs. transaction costs vs. multiple audiences, for example) and their explanation of different features of bureaucratic organizations. For instance, a particularly useful tool for categorizing the theories: How do they explain standard operating procedures (SOPs)?

Weberian/Contingency Theory: ORGS as machines.

This is both a theory of formal organization and a portrait of bureaucracy as highly efficient, goal-unified, high information, “machine”-like. Think of Weber’s notion of the Prussian Army, or the firm in neoclassical production theory (firm as a single agent, maximizing profit).

High rationality, high agreement (low conflict).

Standard operating procedures reflect the underlying efficiency of the organization.

Division of labor is formalized, and work proceeds by “administration by files,” the keeping of written records, archives. BUR ORGS encode information.

Organizational change reflects an iron law of bureaucracy – organizations tend more and more toward the bureaucratic form because it is the most efficient.

Thinkers/readings: Weber, Stinchcombe.

Behavioral Theory: ORGS as BRAINS.

FOCUS on cognitive limitations of the organization. These can be limitations of the individuals, or limitations of the collective (e.g., an ORG of perfect-memory individuals might be a limited-memory ORG b/c of turnover and constraints on the transfer of knowledge).

Low rationality, high agreement.

(Garbage-can model of “organized anarchies”: low rationality and low agreement.)

The key is not bounded rationality itself, but how ORGS adapt to bounded rationality.

Standard operating procedures are adaptations to cognitive limitations of the organization and its members.

Prediction: Organizational change and information processing are ‘disproportionate’: lots of stasis but “large tail” change when it occurs. Double-Pareto distribution or Leptokurtosis of outcome distributions (Padgett, Jones).

Thinkers/readings: Herbert Simon, James March, John Padgett, Michael Cohen, Jonathan Bendor, Bryan Jones and Frank Baumgartner.

Contractual Theory: ORGS as CONTRACTS or nexus of contracts.

High rationality, low agreement.

Central concept: Transaction costs = uncertainty costs. The uncertainty here is “human uncertainty,” uncertainty not about the state of the world or about ORG technology but uncertainty over the action of others, because their preferences and goals are not aligned. Can’t trust one’s subordinates and/or superiors; they present a “hold-up” problem (alt, “moral hazard” problem).

Think of “Jake and Judy” lawnmowing example as two people in a hierarchy. In a Weberian organization (Prussian army, Herbert Kaufman’s portrayal of the Forest Service), there is no or little goal conflict among members. You wouldn’t have the “Jake and Judy” problem.

Markets versus hierarchies. Focus on “make” or “buy” decision. We might contract outside the ORG for services [“buy”] or we might incorporate the same transaction within the organization [“make”]. Making implies taking something “within house.”

Standard operating procedures are adopted to minimize transaction costs.

Prediction: Organizational change is incremental.

Readings/thinkers: Oliver Williamson, Douglass North, Gary Miller, Barry Weingast, Terry Moe.

Cultural/Reputational Theory: ORGS as SOCIAL beings, as vessels of status/esteem.

Low rationality, possibility of conflict, add variable of AUDIENCE.

Standard operating procedures are adopted primarily to legitimize the organization among one or more audiences.

Meyer and Rowan: basic disconnect or “decoupling” of organization’s formal structure (e.g., org chart, SOPs) from its actual work flow and behavior. Decoupling grows as need for legitimacy grows.

Douglas: The org’s claim to legitimacy is based upon its claim to being well founded in “nature,” “history,” or “rightness.”

ORGs may also behave in ways that “maximize” or manage their reputation in a context of multiple audiences. May include reluctance to revisit past decisions, risk-taking as a signaling device, and consultation of external entities for particularly complex problems.

Readings/thinkers: Mary Douglas, John Meyer and Brian Rowan, Ann Swidler, your lowly professor.