

## Contemporary Organizational Theory

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### **Abstract**

We review three perspectives – demographic, relational, and cultural – that have dominated sociological research on organizations during the past four decades. These perspectives arose in reaction to the atomistic and rationalist-adaptationist assumptions of earlier perspectives on organizations. These perspectives have different conceptions of social structure and thus different conceptions of what creates opportunities for and constraints on action. The demographic perspective holds that social structure is constituted by distributions of social actors along salient dimensions of social and physical space; the relational perspective, by webs of social relationships; and the cultural perspective, by widely shared and patterned understandings of reality and possibility. These perspectives also have different conceptions of identity and therefore motivations for action. For demographers, identity derives from position, absolute or relative, along salient dimensions of social life; for relational scholars, from ties among individuals, groups, and organizations; for cultural scholars, from social interaction. All three perspectives have been applied to explain behavior at five different levels of analysis: the individual, group or organizational subunit, organization, industry or organizational population, and field. Up to the 1990s, these perspectives were generally applied separately, but over the past two decades, studies have increasingly used multiple perspectives.

In this paper, we review research on organizations during the past four decades. Organizational theory evolved from a disparate set of roots in sociology, economics, political science, psychology, and management. In a companion paper (Authors 2018), we laid out organizational theory's history from classical sociology to the 1970s. By the mid 1970s, organizational theory was dominated by two perspectives: (1) the Carnegie School's decision-making perspective (e.g., Simon 1947; Cyert and March 1963; March and Olsen 1976); and (2) three variants of contingency theory, namely structural (e.g., Blau and Scott 1962; Thompson 1967; Lawrence and Lorsch 1967), strategic (e.g., Hickson et al. 1971; Child 1972), and information-processing (Galbraith 1973). Both perspectives were adaptationist and (at least boundedly) rationalist: they assumed organizations sought efficient and effective performance, those in charge of organizations could survey the environment and determine (albeit imperfectly) how to improve organizational performance, and organizations could easily change their strategies and structures to improve performance. Moreover, both perspectives viewed organizations as atomistic actors, so decisionmakers could make decisions and take action based on internal preferences, constrained only by resources and information.

In the 1970s, three new perspectives on organizations developed in reaction to these assumptions. To reflect their concepts of social structure, we label them demographic, relational, and cultural. A central concern for *demography* – the distribution of individuals, groups, and organizations along salient dimensions of social structure, such as individual age, race and gender, group size and composition, and organizational form and location – characterizes internal organizational demography and organizational ecology (Blau 1977; Kanter 1977; Baron and Bielby 1980; Pfeffer 1983; Hannan and Freeman 1984, 1989). A focus on webs of *relationships* among people, groups, and organizations is most noticeable in research on social capital (Granovetter 1973; Bourdieu 1980; Coleman 1988), power in organizations (Emerson 1962; Pfeffer 1981), and resource-dependence theory (Aldrich and Pfeffer 1976; Pfeffer and Salancik 1978; Burt 1983). An emphasis on *culture*, meaning widely shared norms, values, expectations, roles, and rituals, is reflected in institutionalist approaches,

(Meyer and Rowan 1977; DiMaggio and Powell 1983; Scott 2008; Schein 1996; Scully and Creed 1997) and research on organizational culture (Pettigrew 1979; Deal and Kennedy 1982).

These perspectives propose divergent conceptions of *social structure*, which provides opportunities for and constraints on action, and *identity*, which provides motivations for action. Demographic analysts view social structure as inhering in multiple cross-cutting distributions (Blau 1994), and identity and motivation as deriving from position, absolute or relative, along one or more dimensions of social life, such as individual age and gender or organizational location and strategy. Relational analysts view social structure as inhering in social and economic ties between individuals, groups, or entire organizations, and identity and motivation as constituted by those ties. Finally, for cultural scholars, social structure consists of shared, patterned understandings of reality and possibility (i.e., beliefs about what is feasible, acceptable, or valued) that actors use to make sense of and evaluate actions, while identity and motivation derive from those shared understandings (Berger and Luckmann 1967). All three perspectives are used to explain behavior at five levels of analysis: the individual, the group, the organization, populations/industries, and interorganizational fields. Table 1 summarizes these perspectives and explains how they are used at different levels of analysis.

[Table 1 about here]

These perspectives have been applied to the study of both formal and informal organizational features. *Formal* features include the configuration of offices and positions, the officially designated linkages between them (the “organization chart”), and written job descriptions, rules, and procedures. *Informal* features include the actual (as opposed to official) communication and influence channels (who really talks to whom, not just who is supposed to talk to whom; who sways decision-making), actual behavior (what people do every day, not what job descriptions say they should do), and informal norms and practices (what is expected and valued). The formal and the informal are often only loosely coupled, as informal social relations, practices, and norms often deviate from formal organization charts, job descriptions,

rules, and procedures – as sociologists have known since the 1950s (e.g., Gouldner 1954; Blau 1955).

The assumptions undergirding these perspectives differ from the assumptions of earlier perspectives. The macro demographic and macro cultural perspectives broke with the assumption that organizations can be adapted to external conditions in a technically rational way. In the macro demographic perspective, inertial pressures prevent timely adaptation, while for the macro cultural perspective, conforming to institutional rules can prevent efficient operation. In a related vein, the micro demographic and micro cultural perspectives broke with the assumption that behavior in organizations is geared toward efficiency and effectiveness. Instead, the micro demographic perspective holds that behavior is driven by differences between people along salient dimensions of social life, which generate inequality in access to many outcomes controlled by organizations. The micro cultural perspective emphasizes how routines, implicit logics, and meaning-making processes drive individual and group behavior.

For its part, the relational perspective broke with the assumption that individuals, groups, and organizations can be understood as atomistic actors. Instead, all social actors are just that – social – which requires recognizing how webs of social and economic interactions create opportunities for and constraints on action. At the micro level, relationships determine what actors can do, as well as what actors are motivated to do because people and groups in organizations are interdependent. At the macro level, no organization is an island, entire unto itself; instead, every organization depends on others (e.g., suppliers and customers) to accomplish its goals. This perspective highlights the role that power plays in organizational life, as an attribute of relationships.

The next three sections flesh out Table 1, reviewing major themes in each perspective. Then, we briefly review research that combines perspectives. We conclude with a few speculations on the future of organizational theory.

## The Demographic Perspective

Two research traditions take the demographic perspective. They differ in intellectual origins and units studied. *Internal organizational demography* is microscopic, analyzing individuals and small groups within organizations. It developed along separate lines in sociology and management, but both applied insights from human demography.

*Organizational ecology* is macroscopic, analyzing entire organizations, populations, or industries. It adopted models from biological evolution, human ecology, and human demography to explain the dynamics of organizations. Only a few studies probe connections between micro and macro levels (e.g., Haveman and Cohen 1994; Greve 1994; Ferguson and Koning 2018).

*Internal organizational demography* studies the distribution of people within organizations (employees or customers) along salient dimensions of social position (e.g., Baron and Bielby 1980; Pfeffer 1983). It has four theoretical foundations. First, sociological theories of group interaction hold that people prefer to interact with similar others (Simmel 1955; Blau 1977; Kanter 1977) – a phenomenon known as homophily (McPherson, Smith-Lovin, and Cook 2001). Second, demography uses the number of people in different social positions to explain rates of entry into and exit from organizations, and rates of social interaction among organizational members (Ryder 1965; Pfeffer 1983). Third, social-psychological theories of social identity and categorization hold that we classify people to understand their behavior, and that our identity and self-worth derive in part from the groups we belong to (Tajfel and Turner 1979, 1986; Tajfel 1982). Together, these processes create in-groups and out-groups, and promote in-group biases. Fourth, sociological expectation-states theory holds that different levels of esteem and competence are attributed to people in different demographic groups, creating interactions in which these expectations become self-fulfilling prophecies – conferring higher status and better outcomes on individuals from higher-status groups (Berger, Rosenholtz, and Zelditch 1980; Ridgeway 1991; Ridgeway et al. 1998).

The goal of all internal organizational demography is to attend to “any categorical difference that has a significant impact on group interaction and outcomes” (DiTomaso, Post, and Parks-Yancy 2007: 474). Early work focused on tenure, meaning how long people had worked in the focal organization (e.g., Pfeffer 1983; O’Reilly, Caldwell, and Barnett 1989), and gender (e.g., Kanter 1977; Wolf and Fligstein 1979). Later research widened the focus to age (e.g., Zenger and Lawrence 1989), race/ethnicity (e.g., Tomaskovic-Devey 1993; Sørensen 2004), sexual orientation (e.g., Tilcsik 2011), social class (e.g., Rivera 2012), and intersecting identities (e.g., Pager 2003; Correll, Benard, and Paik 2007; Pedulla 2014). Much demographic work studies power and inequality, and shows how nominal demographic parameters (unordered categories) are transformed into graded parameters with hierarchical rankings (Ridgeway et al. 1998). Thus, attributes like gender, race/ethnicity, and age become axes of inequality, determining who gets authority, status, and material resources.

At the individual level, the main issues are whether focal individuals are similar to or different from others in their workplace, and whether they are members of high- or low-status groups. People in subordinated groups are harmed by stereotypes and so are not heard or valued as much as people in dominant groups (e.g., Kanter 1977; Konrad, Winter, and Gutek 1992). Moreover, numerical minorities from subordinated groups become “tokens” (Kanter 1977), subject to heightened visibility and social isolation. In contrast, numerical minorities from dominant groups benefit from stereotypes (e.g., Williams 1989, 1995). Finally, “relational demography” (Tsui, Egan, and O’Reilly 1992), meaning similarities or differences between workers and their supervisors, affects communication, performance assessment, commitment, job satisfaction, and turnover.

At the collective (group or organizational) level, the issue is composition in terms of salient demographic dimensions. As demographic variation among members increases, trust and cohesion decline, conflict escalates, communication worsens, commitment falters, and turnover increases (e.g., O’Reilly, Caldwell, and Barnett 1989; Zenger and Lawrence 1989). Yet as demographic variation increases, social ties and information sources become broader,

fostering creativity and innovation (e.g., Gibson and Gibbs 2006). Together, these costs and benefits of demographic variation affect groups' and organizations' ability to innovate and adapt to changing environments.

In sum, the demographic distribution of individuals in a group or organization is important because it shapes social interactions, who has power, and how (well) people work together (for reviews, see Williams and O'Reilly 1998; Reskin, McBrier, and Kmec 1999; DiTomaso et al. 2007; Stainback, Tomaskovic-Devey, and Skaggs 2010). Moreover, the effects of demography are nested, with differences between organizational members affecting their interactions in supervisor-subordinate dyads and work groups, and these interactions affecting individual, group, and organizational functioning. Finally, the uneven distribution of economic and status rewards conferred by schools and workplaces contributes to inequality among demographic groups.

At the macro level, *organizational ecologists* conduct demographic analyses where the units of study are organizations, rather than individuals (Carroll and Hannan 2000). As in other demographic analyses, the focus is on numbers (of organizations with specific forms) and rates (of organizational founding, failure, and change). This theory first applied ideas from biological evolution (e.g., Levins 1968; May 1973) and human ecology (e.g., McKenzie 1926; Park 1936; Hawley 1950) to explain organizational dynamics (rates of organizational founding, failure, and change) in terms of population numbers and environmental characteristics. This theory then applied insights from human demography (e.g., Gompertz 1825) to explain how organizational features (e.g., age and size) affect rates of growth, change, and failure.

Ecologists study populations of organizations (Hannan and Freeman 1977), which produce similar outputs using similar inputs. Early work in this tradition treated all organizations in a population as similar and argued that as the number of organizations in a population increased, both legitimacy and competition increased – legitimacy at a decreasing rate, competition at an increasing rate (e.g., Hannan and Freeman 1989; Olzak and West 1991). Founding rates increase with legitimacy and decrease with competition, and failure rates



decrease with legitimacy and increase with competition. Later work distinguished organizations by form, based on characteristics such as size, market niche (specialist or generalist), technology, or location, and considered both competitive and mutually beneficial interactions within and between organizational forms (e.g., Baum and Singh 1994; Carroll and Swaminathan 2000; Ingram and Simons 2000; Barnett and Woyvode 2004).

Organizational ecology holds that organizations change slowly because of inertial pressures (Hannan and Freeman 1984, 1989). Past investments, information limits, vested interests, entry and exit barriers, and legitimacy considerations all favor organizations that perform reliably and account for their actions, which requires highly reproducible (unchanging) organizational structures. When organizations do change, they experience harmful process effects stemming from frictions accompanying change (Barnett and Carroll 1995). They also experience content effects stemming from changing fit with environments – beneficial if fit improves, harmful if fit worsens. While change can benefit organizations if they are performing poorly (e.g., Haveman 1992; Greve 1999), and ties to institutions that provide resources and confer legitimacy can buffer organizations from the harmful process effects of change (e.g., Baum and Oliver 1991; Minkoff 1999), most research has shown that change harms organizations. Therefore, populations of organizations change mostly through selection, not adaptation. For example, over 60 years, California thrifts changed from club-like associations that valued community and mutual aid to impartial bureaucracies that celebrated efficiency and individual rationality (Haveman and Rao 1997). But most change occurred through the differential founding and failure of different organizational forms; only a little occurred through existing organizations adopting new forms.

When organizations are founded, they imprint on prevailing social conditions (Stinchcombe 1965; for a review, see Marquis and Tilcsik 2013). Because of inertia, organizations reflect those conditions throughout their lives. For example, the Paris Opera was conceived as a royal academy, a high-status organizational form devoted to discussion among academy members (Johnson 2007). But, pushed by the king, whose permission was required to

found any organization in that era, it was launched as a hybrid of the royal academy and the commercial theatre, a much lower-status organizational form. Not only did it incorporate elements of two organizational forms, those elements persisted for centuries. In a more recent example, the organizational “blueprints” of high-tech firms in Silicon Valley reflected founders’ imprints many years after founding (Baron, Burton, and Hannan 1999).

### **The Relational Perspective**

Scholars taking the relational perspective hold that social relations are primary and social-unit attributes are secondary. Micro relational research focuses on relationships between individuals or groups, while macro relational research examines relationships between organizations or industries. Few studies investigate cross-level connections between micro and macro (e.g., Shane and Stuart 2002).

There are two main strands of *micro relational research*. The first examines *social capital* (Bourdieu 1980; Coleman 1988), meaning the resources people derive from their connections, such as ties to schoolmates, current and former coworkers, or people in other organizations. Social capital improves access to information and material resources, which in turn enhances social status, reduces uncertainty, and improves many individual outcomes. For example, applicants referred by employee contacts are ten times more likely to be offered jobs than applicants without referrals (Fernandez and Galperin 2014). But social capital also creates mutual obligations, channeling action onto particular pathways and foreclosing others (Portes 1998; Lin 1999).

Different types of social ties – strong vs. weak – provide individuals and groups with distinct benefits and challenges. Strong ties, which bond group members tightly, improve knowledge transfer within groups and facilitate norm enforcement, increasing trust and improving group functioning (Coleman 1988; Uzzi and Spiro 2005). Weak ties can bridge holes in networks, connecting otherwise-unconnected groups, which tend to have different information sources (Granovetter 1973; Burt 1992, 2000; Yakubovich 2005). People whose

networks include “bridging” or “brokering” ties can spark innovation and control information flows (Burt 2000; Perry-Smith 2006). Brokers can engage in socially beneficial acts like conflict mediation, but also socially undesirable acts like manipulation (Stovel and Shaw 2012). Because their benefits differ, bridging and bonding ties are complements (Burt 2000; Adler and Kwon 2002). For example, groups perform best when members have diverse, non-redundant ties to people outside the group, but also strong ties to other group members (Reagans and Zuckerman 2001). Bridging ties can foster creativity, while bonding ties facilitate the diffusion and implementation of ideas (Fleming, Mingo, and Chen 2007). The value of bridging and bonding ties is contingent on goals and context (Adler and Kwon 2002). For example, bridging ties harm individuals’ career performance in high-tech companies in China, where the collectivistic culture clashes with brokers’ agency (Xiao and Tsui 2007).

The second main strand of micro relational research focuses on *power* as an attribute of relationships, and assumes power is the inverse of dependence (Emerson 1962). Consider the power-dependence relationship between two individuals, Pat and Chris. Pat’s power over Chris – the amount of pressure Pat can exert on Chris to do what Pat wants – equals Chris’s dependence on Pat. The power Pat can exert is a function of Chris’s motivation and alternatives: the more Chris wants what Pat can provide, the more Chris depends on Pat, and the more power Pat has over Chris; and the more alternatives Chris has, the less Chris depends on Pat, and the less power Pat has over Chris.

Within organizations, vertical and horizontal power-dependence relations develop (Pfeffer 1981). Vertically, people at each level have formally invested power over lower levels; this power resides in the position held, not in the person holding the position (Weber 1968). Horizontally, power arises because individuals and groups in organizations depend on each other to perform their assigned tasks – they are interdependent (Thompson 1967). Horizontal power is activated when interdependent actors have different goals or different beliefs about how to achieve their goals, the resources needed to achieve goals are scarce, and actors have different levels of resources. Both vertical and horizontal power-dependence relations

influence whose goals and beliefs are acted upon, and to what effect. For example, ties between people promoting change and powerful others who are neutral to the proposed change (fence-sitters) allow change promoters to co-opt fence-sitters and get the change approved; however, strong ties to powerful others who disapprove of the proposed change reduces the chance of approval (Battilana and Casciaro 2013).

*Macro relational studies* examine how links to other organizations – oversight agencies, competitors, customers, and suppliers – affect organizational structures, actions, and performance. Work in this tradition is generally labelled *resource dependence* (Aldrich and Pfeffer 1976; Pfeffer and Salancik 1978; Burt 1983).<sup>1</sup> Because organizations rely on other organizations, they are vulnerable to power plays by those organizations and thus face uncertainty. To reduce vulnerability and uncertainty, and so stabilize operations and improve performance, organizations integrate vertically, taking over suppliers or distributors; diversify; and create strategic alliances, joint ventures, and director interlocks (Pfeffer and Salancik 1978; Burt 1983; for a review, see Davis and Cobb 2010).

Some macro relational studies investigate ties between individuals that span organizational boundaries, notably the long tradition of research on interlocking directorates in the United States (e.g., Mizruchi and Stearns 1988; Haunschild and Beckman 1998; Yue 2016). Some macro relational studies examine ties centered on organizations, rather than individuals, such as strategic alliances and joint ventures, supplier/buyer ties, and knowledge flows through patents (e.g., Baker 1990; Uzzi 1997; Gulati and Gargiulo 1999). Both types of studies investigate a paradox: interorganizational ties both create opportunities for action and impose constraints on action. They can make interactions more predictable (e.g., Dore 1983), facilitate information exchange (e.g., Helper 1990), and improve organizational performance by providing access to resources (Gulati, Lavie, and Madhavan 2011). But they can make firms

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<sup>1</sup> Much of this research is labelled “social-network analysis,” referring to the empirical techniques used in data analysis, rather than theory (Salancik 1995; Kilduff and Tsai 2003). The theory underpinning most social-network analysis of organizations is resource dependence; theories of information exchange and status are less common.

“over-embedded” to the point where the costs of managing ties outweigh the benefits. For example, strong ties between organizations can increase trust, information transfer, and coordination, but they also make firms vulnerable to shocks, require time and resources to maintain, and insulate firms from outside information (Uzzi 1997). And ties to powerful partners create the potential for appropriation and coercion (e.g., Katila, Rosenberger, and Eisenhardt 2008), so a few large organizations can wield outside influence. For example, changing power dynamics between large American retailers and their suppliers partly explains why wages have stagnated since the 1970s (Wilmers 2018).

On a more macro (societal) scale, some scholars view corporations as tools of elite control (e.g., Clawson 1980; Domhoff 2014). They argue that in the United States, dense corporate networks created by board interlocks helped maintain an economic elite by socializing newcomers, fostering solidarity, coordinating political action, and facilitating control over public policy (Zeitlin 1974; Useem 1984; Burriss 2005; Domhoff 2014). Although the evidence to support this argument is mixed (for a review, see Mizruchi 1996), there is evidence that interlocks spread information about strategies, structures, and practices, thus affecting strategic behavior (e.g., Davis 1991; Haunschild and Beckman 1998; for a review of the performance impacts of interorganizational networks in general, see Gulati et al. 2011). Although the interlock network became less connected in the 2000s (Mizruchi 2013; Chu and Davis 2016), highly cohesive subgroups remain (Benton 2016).<sup>2</sup>

In addition to elite network effects, interorganizational power dynamics have other impacts on society at large. Changes in American antitrust laws and in firms’ strategies and structures over the twentieth century altered which functional areas could best solve the problems facing organizations and thus who rose to power: first, executives came from entrepreneurship and manufacturing, then from sales and marketing, and finally from finance

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<sup>2</sup> For studies of corporate interlocks in other countries, see e.g., Berkowitz et al. (1979; Canada); Fennema (1982; Europe); Stokman, van der Knoop, and Wasseur (1988; the Netherlands); Kentor and Yang (2004; transnational).

(Fligstein 1987). Pushed by powerful investment bankers and institutional investors, finance-trained executives embraced the logic that corporations should maximize shareholder value (stock price) above all (Fligstein 2001; Davis 2009). This logic, in turn, led to reduced employee job security and increased societal income inequality, as corporate executives promoted corporate downsizing in response to stock-price declines (e.g., Jung 2016).

### **The Cultural Perspective**

Research taking this perspective examines shared and patterned understandings of reality and possibility. This perspective is often labelled “institutional” because institutions are central to it. Institutions are social facts, phenomena people perceive to be both external to themselves (shared by others) and coercive (backed by sanctions) (Durkheim 1995). Institutions are also durable phenomena: they persist because they develop routines for reproducing themselves over time, so they do not require recurrent collective mobilization or authoritative intervention to endure (Jepperson 1991).<sup>3</sup> Institutions are embodied in culture (customs, conventions, and normative expectations), regimes (legal systems, professional codes, and technical standards), and organizations. But not everything is an institution: fads in management practices and resistance to authority are not institutions because they are neither broadly accepted nor enduring. Moreover, not all institutions are broadly accepted: some, like organized crime, may be enduring but are accepted by few.

We distinguish micro cultural research on individuals and groups from macro relational research on organizations and fields, even though they often overlap.

*Micro cultural research* is built on early micro sociology (Cooley 1902, 1909; Mead 1934), symbolic interactionism (Blumer 1969), and theories of interaction order and framing (Goffman 1959, 1974). These traditions analyzed the meanings that people develop through

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<sup>3</sup> Borrowing from economics, some institutionalists emphasize rationality, rules, and risk (e.g., Brinton and Nee 1998). Ingram and Clay (2000) review this work. Another group of institutionalists analyzes the entire globe (e.g., Meyer, Boli, Thomas, and Ramirez 1997). Clemens and Cook (1999) and Schneiberg and Clemens (2006) review this work, as well as the organizational institutionalism we describe here.

interactions with others – symbolic systems that guide evaluation and action – and how people (re)interpret these meanings as they continue to interact. But these traditions paid little attention to the larger structures within which groups are embedded, so until recently few studies of organizations were built directly on them. Instead, by informing research on work and the professions, these traditions had at most indirect influence on studies of organizations. For example, a study of flight attendants and bill collectors revealed that “emotional labor” (creating desirable emotional displays) is core to both jobs (positive displays for flight attendants, negative displays for bill collectors); training for both jobs inculcates “feeling rules” that guide interactions with customers (Hochschild 1983). Then, in the 1990s, scholars began to study “inhabited institutions” (Scully and Creed 1997), the meanings workers attach to their jobs, the conflicts and consensuses created and recreated through workplace interaction, and the resulting cultures. For example, a reinterpretation of Gouldner’s *Patterns of Industrial Bureaucracy* (1954) shows how worker-management interactions infuse bureaucracy with meaning (Hallett and Ventresca 2006). Similarly, a study of people working in drug courts (probation officers, defense and prosecuting attorneys, and clinicians) shows that they use different logics (criminal punishment, rehabilitation, accountability, and efficiency) to negotiate decisions and achieve their particular goals (McPherson and Sauder 2013).

*Macro cultural research* focuses on organizations and fields, defined as the organizations that constitute a social arena: suppliers, distributors, consumers, regulators, and competitors (DiMaggio and Powell 1983; cf. Fligstein and McAdam 2012). This work emphasizes cognition, unreflective and ritualized activity, and social constructionism; it holds that organizations and the roles individuals play in them are created through social interaction, generating shared knowledge and belief systems (Berger and Luckmann 1967). People develop recipes for understanding and action through habituation, come to recognize actors and situations as types through typification, and institutionalize typifications by sharing them widely. Institutions stabilize social relations by establishing expectations for behavior – norms, values, and roles. Thus, organizations are confronted with “institutionalized rules” maintained

by social interaction; legitimacy, and ultimately survival, stems from demonstrating conformity to these rules, even though such conformity can conflict with efficiency (Meyer and Rowan 1977). When conformity conflicts with efficiency, organizations decouple what they claim they are and do from what they actually are and do, and maintain a logic of confidence or good faith through avoidance of inspection, discretion, and overlooking anomalies (Weick 1976; Meyer and Rowan 1977). For example, in hospitals, health care is defined as care provided by medical doctors, not care that alleviates pain or cures disease.

Much macro cultural research seeks to understand why organizations are so similar (DiMaggio and Powell 1983) by investigating institutional isomorphism (literally, “same shape”). As communities of organizations evolve, interorganizational relations, the state, the professions, and competition promote isomorphism among organizations that are tied directly to each other or play similar roles. (Note this often-overlooked connection between the cultural and relational perspectives.) There are three kinds of isomorphism. Mimetic isomorphism is the achievement of conformity through imitation. It can result from efficient responses to uncertainty (“when in doubt, do what other organizations facing the same environment do”) or from bandwagon effects (“if many organizations adopt a structure or course of action, then follow their lead”). Coercive isomorphism stems from the pressure imposed by state regulations that authorize particular organizational structures and activities and prohibit others. Normative isomorphism involves pressures imposed by collective actors such as professional and trade associations, which create informal expectations (if not formal rules) about what organizations should look like and how they should behave. Organizations facing great uncertainty tend to imitate successful organizations (e.g., Haveman 1993; Strang and Still 2004) or similar organizations (e.g., Soule 1997), while organizations respond to pressures from funding sources and state authorities by adopting practices and structures those actors approve (e.g., Edelman 1992; Mun and Jung 2018).

Over time, isomorphic pressures make structures, products, and practices legitimate – comprehensible and taken for granted as natural ways to achieve collective goals, justified on



the basis of prevailing cultural models and accounts (Meyer and Rowan 1977; Zucker 1983). Alternatives may become literally inconceivable. But change can occur if a new structure, product, or practice meets a technical need; if so, the innovation diffuses rapidly through direct contact between organizations. Early-stage diffusion tends to be “rational,” driven by coercion or technical need, while later-stage diffusion tends to be symbolic, driven by imitation or norms (Tolbert and Zucker 1983; Fligstein 1985; Edelman 1992). As a result of symbolism-driven innovation, the structures, products, and policies that diffuse widely are often ineffective; for example, although organizations develop legally acceptable human-resources policies that spread widely, these policies do not always ameliorate inequalities (e.g., Dobbin, Schrage, and Kalev 2015).

In the 1990s, research on institutional logics emerged, studying “systems of cultural elements (values, beliefs, and normative expectations) by which people, groups, and organizations make sense of and evaluate their everyday activities, and organize those activities in time and space” (Haveman and Gualtieri 2017: 1). At first, logics were defined at the societal level, such as the (capitalist) market vs. the (democratic) state (Friedland and Alford 1991), mutual co-operation vs. bureaucracy and individual rationality (Haveman and Rao 1997), or professional vs. state authority (Scott et al. 2000). Later, logics were seen as due to the agency of individuals and small groups inside a single organization (e.g., Dunn and Jones 2010; Thornton, Ocasio, and Lounsbury 2012), and more explicitly informed by symbolic interactionism (e.g., Binder 2007; Berman 2012; McPherson and Sauder 2013). This line of work integrates micro and macro cultural research on organizations.

Work on organizational culture – the values, beliefs, and assumptions shared (more or less strongly and uniformly) by members of an organization (e.g., Deal and Kennedy 1982; Schein 1996, 2010) – also bridges micro and macro. Organizational cultures arise from efforts by owners, managers, and workers to create shared goals, identities, and meanings for their actions (Pettigrew 1979; van Maanen and Schein 1979). Organizational cultures influence behavior: funeral-homes use décor, makeup, and quiet action to calm friends and family by

creating the illusion that the dead are merely resting (Barley 1983), while high-tech manufacturers promote extraordinary work effort through espoused norms and values (Kunda 1992). Individuals' "fit" with organizational culture affects hiring, performance, and turnover (Rivera 2012; Goldberg et al. 2016). Strongly held and widely shared organizational cultures promote behavioral consistency and thus improve firm performance (Gordon and DiTomaso 1992; O'Reilly and Chatman 1996). But strong organizational cultures can also hinder experimentation and learning, impairing performance in changing environments (Sørensen 2002; Van den Steen 2010).

### **Combining Perspectives**

The three perspectives on organizations complement each other, so it is not surprising that scholars have increasingly combined them. Here, we describe some notable examples of such work.

*Demographic and relational.* Some work combining the network and demographic perspectives brings to light network mechanisms for explaining how diversity affects group performance. When diversity undercuts cohesion and trust (thus reducing the number of bonding ties within a group), performance declines, but when diversity exposes group members to non-redundant sources of information (through bridging ties to people outside a work group), performance improves (Reagans and Zuckerman 2001). In this way, network mechanisms mediate the impact of diversity. Other work reveals how demographically segregated networks alter employment opportunities for members of different demographic groups (for a review, see McDonald and Day 2010). For example, black job-seekers' contacts are less likely to refer them to prospective employers than are those of white job-seekers (Royster 2003; Smith 2005). Moreover, black job-seekers are less likely than white job-seekers to have high-status social ties (Lin 2001; McDonald 2011), so even when black job-seekers obtain referrals to employers, they gain fewer advantages from these referrals than do comparable white job-seekers (Silva 2018). In sum, these lines of work show that network processes can be

sources of (dis)advantage for different demographic groups, and demography can condition network processes.

*Demographic and cultural.* Work on organizational forms as identities that observers use to evaluate organizations and their products combines insights from both the demographic and cultural perspectives (Hannan, Pólos, and Carroll 2007; for reviews, see Negro, Koçak, and Hsu 2010; Durand, Grandqvist, and Tyllström 2017). Organizations are sorted (by themselves or observers) into categories of forms that delimit what organizations should (not) be and do, based on observers' understandings. Being perceived as straddling rather than fitting within such categories generates penalties for organizations (e.g., Zuckerman 1999; Hsu 2006), while being perceived as members of high-status categories generates benefits for organizations (e.g., Sharkey 2014). Other, more micro, work reveals how the social (e)valuation of the categories individuals are placed in (usually, but not always demographic) is shaped by organizational and industry norms. For example, in leveraged buyout firms, gender is a more relevant criterion for social exclusion than race/ethnicity because women do not fit the "ideal worker" profile (Turco 2010), while in consulting and law, social class is more relevant than race/ethnicity because decision makers sort job applicants on cultural similarity (Rivera 2012).

*Relational and cultural.* Institutional research increasingly attends to the interplay between culture and power. Some work reveals how power-dependence relations affect which novel ideas and practices are adopted. For example, organizations adopt frames of strategic change that reflect the interests of those who control financial resources (Fiss and Zajac 2006). Other work shows how network ties affect diffusion and isomorphism (Strang and Tuma 1993). For example, different network ties promote isomorphism through different mechanisms (Guler, Guillén, and Macpherson 2002), and network ties promote customized adoption of new practices early in the institutionalization process but conformity-driven adoption later on (Westphal, Gulati, and Shortell 1997). Still other work shows that culture conditions network effects; for instance, by influencing the value of different types of network ties (e.g., Xiao and Tsui 2007).

## Conclusion

Our review reveals only a tiny fraction of the breadth and depth of contemporary research on organizations. A search of the Web of Science (<http://webofknowledge.com>), which counts citations in academic journals, reveals the impact these ideas have had – and continue to have. For example, Kanter (1977), foundational for micro demographic research, has been cited 5,000 times since its publication; Granovetter (1973), foundational for micro relational research, has been cited 11,000 times; Pfeffer and Salancik (1978), basic for micro and macro relational research, has been cited 8,000 times; and Meyer and Rowan (1977), germinal for the cultural perspective, has been cited 7,000 times. Across all foundational works, half of their citations have been in articles published 2010 onward, suggesting that the study of organizations remains central to sociology, management, and many other fields.

Yet, over the past four decades the study of organizations has grown fastest in professional (especially business) schools. This has, arguably, made research on organizations increasingly focused on efficiency and effectiveness – a tool of capitalism. Counter to this trend, we can make the study of organizations more central to sociology by explaining organizations' impact on outcomes of interest to many sociological subfields, not just inequality (discussed above), but also race and ethnicity, culture, education, politics, and religion. For inspiration, consider how social-movement organizations, churches, government agencies, and media businesses jointly defined "Hispanic" as an ethnic, not racial, category (Mora 2014); this work fundamentally reorients the study of race/ethnicity and immigration. Many sociological other subfields await reorientation by organizations scholars.

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**Table 1: Three Contemporary Perspectives on Organizations**

Perspective	Demographic	Relational	Cultural
<b>Basic principle</b>	<u>Position in social and physical space</u> determines patterns of action by defining opportunities for action and constraints on action.	<u>Relationships</u> determine patterns of action by defining opportunities for action and constraints on action.	<u>Shared understandings/mental models</u> determine patterns of action by defining opportunities for action and constraints on action.
<b>Social structure inheres in...</b>	... the <u>demographic distribution</u> of individuals and collectives – i.e., along salient dimensions of social and physical position.	... the <u>relationships</u> between individuals and collectives (organizations, families, etc.) involving exchanges of valued items (material or symbolic).	... the system of understandings of reality and possibility – <i>culture</i> – meaning norms, values, and expectations of what is and what is not done/possible/good.
<b>Identity...</b>	... derives from actors' positions, absolute or relative, along dimensions of social life; the relational perspective.	... is constituted by the social and economic ties among individuals, groups, and organizations.	... is a social construction, arising from social interaction.
<b>Central logic at different levels of analysis</b>			
<b>Individual:</b> <i>your social, psychological, and economic experiences as an organizational member depend on....</i>	... <u>internal organizational demography</u> : (a) demographic characteristics (gender, race, age, etc.) and (b) your demographic characteristics relative to other people in the organization (and in the labor force/population).	... <u>interpersonal relations</u> : (a) a focal individual's relationships with other people – affective and instrumental, voluntary and involuntary, current and past; and (b) the structure of relationships among people and groups within a focal organization and among other organizations.	... <u>individual sense-making and learning</u> ; <u>symbolic interaction</u> : cognitive representations of what is and should be (schemas), which can be tinged with strong emotions, and which develop over time, through real and superstitious learning.
<b>Group/subunit behavior and effectiveness</b> <i>(conflict, innovativeness, creativity, ability to make good or timely decisions, turnover, ...) depend on...</i>	... <u>internal organizational demography</u> : the composition of the group, in terms of demographic characteristics (gender, race/ethnicity, age, time in the organization/ group, education area and level)	... <u>intraorganizational networks</u> : the structure of relationships among people and groups within and between organizations. Note that the "nodes" in these networks can be individuals or groups (e.g., mapping how work flows through a focal organization).	... <u>social cognition and symbolic interaction</u> : the meanings people have toward other people and things, which are derived from social interaction and modified through interpretation.

Table 1 (continued): Three Contemporary Perspectives on Organizations

Perspective	Demographic	Relational	Cultural
<b>Organization:</b> <i>an organization's functioning, behavior, and performance (structural change, growth/shrinkage, economic performance) depend on...</i>	... <u>organizational ecology</u> : the focal organizations' characteristics (e.g., age, size, technology) and the characteristic of other organizations in the focal organization's environment (e.g., their numbers, variety, relative size).	... <u>interorganizational networks</u> : (a) relationships between the focal organization and other organizations – affective and instrumental, voluntary and involuntary, current and past; and (b) the structure of relationships among organizations in the focal organization's environment. Note that the "nodes" in these networks can be individuals or organizations.	... <u>the social construction of reality</u> : what people in the focal organization have learned about what works and doesn't, what is right and wrong, what is good and bad about rules, laws, and resources/power (coercive forces); norms, values, and expectations (cultural forces); and relative frequency/rareness of role models (mimetic targets).
<b>Population/Industry:</b> <i>the structure and vital rates of populations/ industries depend on...</i>	... <u>population ecology</u> : the number of organizations in the focal population, their aggregate size, their distribution in terms of salient characteristics (age, size, technology, etc.), and their identities (forms as social codes, involving both recognition and imperative standing).	... <u>interorganizational networks</u> : the structure of relationships among organizations within the focal population/ industry. Note that the nodes in these networks can be individuals or organizations.	... <u>the social construction of reality</u> : what people in the organizations in the focal population or industry have learned about what works and doesn't, what is right and wrong, what is good and bad – not merely dry fact, but rather also what they have learned about rules, laws, and resource dependencies (coercive/ regulatory forces); norms, values, and expectations (cultural forces); and relative frequency/rareness of role models (mimetic targets).
<b>Field/Sector:</b> <i>the emergence and structure of fields/sectors depend on...</i>	... <u>community ecology</u> : the number of organizations in the multiple populations in the field/sector, their aggregate size, their distribution in terms of salient characteristics (age, size, technology, etc.), and their identities (forms as social codes, involving both recognition and imperative standing).	... <u>interorganizational networks</u> : the structure of relationships among organizations in a sector or field. Note that the nodes in these networks can be individuals or organizations.	... <u>the social construction of reality</u> : what people in the focal sector or field have learned about what works and doesn't, what is right and wrong, what is good and bad – not merely dry fact, but rather also what they have learned about rules, laws, and resource dependencies (coercive/ regulatory forces); norms, values, and expectations (cultural forces); and relative frequency/rareness of role models (mimetic targets).