

W. RICHARD SCOTT

ORGANIZATIONS

Rational, Natural, and Open Systems

SECOND EDITION



ORGANIZATIONS **rational,** **natural,** **and** **open systems**

**SECOND
EDITION**

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again for
Jennifer, Elliot, and Sydney

preface

When I was invited by a European colleague earlier this year to describe the effects of the current “crisis” in sociology on the state of organization theory, I conjured up this picture of the contemporary scene:

The dominant cathedral of Rational Structure has been partially dismantled and, although portions are still standing, many of its building blocks have been carted off to be reconfigured into alternative and challenging contructions. More fragile shelters and colorful but perhaps temporary tents have been thrust up in vacant lots. The scene is one of much animation and energy: raw materials and scaffolding are strewn about; lamps in windows and camp fires burn far into the night. The image I wish to convey of the present situation . . . is partly that of crisis and confusion but more that of vigorous controversy and an enriching profusion of competing models and methods. (Scott, 1986)

Though I perhaps became somewhat carried away in the poetry of the moment, I do believe that the overall portrait is substantially correct. The field of organizations has undergone enormous change in the past few decades. It is currently, I believe, the most lively and vigorous area of study within sociology, and perhaps within all of the social sciences. This is a source of both excitement and confusion. Much is happening in the field, and developments are occurring faster than our ability to assimilate them into coherent patterns.

In the first edition of this book, published in 1981, the dominant transformation described was the shift from closed to open system models of organizations. Prior to the 1960s, most of the theorizing and research on organizations looked inside the organization not only for topics of study but also for bases of explanation. Organizations were assumed to be

relatively autonomous and complete systems, and understanding was to be found in examining factors and processes within their fixed boundaries. Beginning about 1960, all this changed. The openness of organizations to their environments was recognized, and the linkages among “internal” and “external” objects and events was more likely to be taken into account. Organizations came to be viewed as less internally coherent and more externally connected than formerly assumed.

The first edition also described the revitalization—as well as the renewed criticism—of rational system models and the developing interest in natural system models. Rational system models have continued to grow and flourish, especially the transactions costs version pursued by the new institutional economists. The newer, challenging natural system conceptions could only be sketched or incompletely described six years ago. Now it is possible to present a much fuller account of them. The ecological, resource dependence, Marxist, and institutional approaches are more fully elaborated, and increasingly constitute full-fledged alternatives to rational system arguments. Views emphasizing cultural explanations have also gained much currency in recent years, and we consider these insights as well. Attention is also given in this edition to the recently developing ethnomethodological and interactionist approaches. There is much new work to review.

There was a time, approximately in the mid 1960s, when it appeared as if organizational sociology was in danger of being submerged under administrative science, which addresses the important but narrow issues of rational design and technical efficiency. That danger now appears quite remote. Organizational sociologists have rediscovered their intellectual roots and are enthusiastically addressing the old, central issues of the discipline—the distribution and use of power, the determinants and consequences of inequality, the creation of commitments and of meaning—within a set of new theoretical frameworks. It is a time of great excitement and ferment. This revised edition attempts to reflect this creative agitation. As before, we propose to deal with some of the complexity by showing that it can be understood as reflecting continuing controversies among three theoretical perspectives: the rational, natural, and open systems approaches. This framework is severely tested by the multiplicity of new ideas and concerns, but its seams appear to have held against the onslaught.

In the preface to the first edition, I attempted to acknowledge the help I have received from my former teachers and students and my current colleagues. This list is now too long to enumerate. I know who they are and they know. I hope they also know how grateful I am for all they have taught me.

Among my immediate circle at Stanford, I rely ever more heavily on the wisdom and virtue of Jim March, Jeff Pfeffer, and John Meyer. They are smarter and more productive than I, but gracious enough to treat me as an equal. In the stimulating intellectual community of organizations students on this campus, these three are a major resource for us all.

My wife Joy and our children continue to indulge and support my scholarly activities, even though they cut deeply into our evenings and

weekends. The children will settle only for some tangible evidence of my guilt, and have again claimed their place on the dedication page. Joy knows the value of intangibles.

W. Richard Scott

Stanford, California

ORGANIZATIONS

rational, natural, and open systems

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AN INTRODUCTION TO ORGANIZATIONS

PART ONE

Organizations play a leading role in our modern world. Their presence affects—some would insist that the proper term is *infects*—virtually every sector of contemporary social life. Peter Drucker thus observes, “Young people today will have to learn organizations the way their forefathers learned farming.” Chapter 1 endeavors to amplify and justify this advice by examining both the practical and theoretical benefits to be gained from a better understanding of organizations.

Part One pursues the two major themes of *commonality* and *diversity*. Organizations share certain features, which serve to differentiate them from other social forms. Students of this field believe that we can understand much about a specific organization from knowing about other organizations. Understanding how a factory functions can illuminate the workings of a hospital; and knowledge of a governmental bureau can help us understand the workings of a union.

Diversity appears in many guises. While organizations may possess common, generic characteristics, they exhibit staggering variety—in size, in structure, and in operating processes. Just as organizations vary, so do those who study them. Students of organizations bring to their task varying interests, tools, and intellectual preconceptions. Of particular importance are differences in the level of analysis employed and in the theoretical perspectives utilized.

Three influential perspectives are introduced in Chapter 1 as competing definitions of organizations. Part Two is devoted to an intensive examination of these perspectives, which have shaped and continue to govern our understanding of organizations.

