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INSTITUTIONAL THEORY

The first part of this paper considers a variety of studies considering certain aspects of organizational behavior as it pertains to institutions with their respective environments and their impact thereon. **Campbell (2007)** considers the social responsibility obligations of corporations and the environments that are conducive to these organizations acting responsibility, especially when the environmental terrain is constantly changing. **Miller et all (2011)** studied the impact of social context, identity and institutional logics of firm ownership on performance of the firm. **Ferner et al (2004)** consider the transfer of ‘diversity’ policies by US Multi-national corporations (MNC) to UK based subsidiaries within the traditional institutional framework. **Greenwood and Hinings (1996)** presented a paper based on the integration of traditional and new institutional theories in the context of radical change within an organization. This summary highlights the key aspects of the four studies above.

Campbell (2007) presents a number of propositions denoting the conditions under which an organization is most likely to act socially responsibly. He argues that the economic conditions affecting the behavior of an organization is mediated by a variety of institutional conditions, namely regulation, NGO presence that regulates corporate behavior, norms, associative behavior between corporations, and dialogue between the management and stakeholders.

He suggests that most of the studies have analyzed the relationship between socially responsible actions and corporate performance, with the latter being the dependent variable. Campbell seeks to answer the question about why corporations undertake socially responsible behavior in an environment where profit maximization is typically paramount. The author notes that defining socially responsible corporate behavior is complex. For example, it depends on the frame of reference relating to who is judging the behavior (employees, management, shareholders, government or the public), what is being measured (wages, interaction, environment), and also whether it is rhetoric or action. He also notes that definitions shift with time and changing cultural dynamics.

Campbell asserts the following conclusions:

1. The health of the corporation and health of the organization positively impact socially responsible behavior;
2. Levels of competition have more complex, curvilinear effects on behavior;
3. Institutional conditions mediate basic economic relationships. For example, behavior improves the stronger the state regulations, collective industrial self-regulation, and prevalence of NGO’s;
4. Behavior improves the greater the interaction between corporations and shareholders.

The author also indicates that problems remain in the literature. First, that the environment is not static and shifts over time creating forces that may support or detract from socially responsible behavior. Second, the neo-liberal policies associated with globalization and deregulation my result negatively on behavior as the institutions mentioned above weaken. Finally, Campbell criticizes those that suggest that the best way to ensure socially responsible behavior is to appeal to the managers sense of ethics and self-interest. Campbell asserts that appeals are helpful, but institutions are critical.

Miller et all (2011) analyzed the effects of social context, identity and institutional logics of firm ownership on performance of the firm. The suggest that the literature points to the use of agency theory to argue that concentrated ownership contributes positively to performance. That is, the ability of powerful owners to reduce agency costs in their pursuit of self-interest. The literature has produced conflicting empirical conclusions. In addition, the literature has tended to measure according to market valuation, and both strategy and discrepancies across studies is ignored. The authors suggest that these problems are a result of not addressing the social contexts of different types of owners. For example, family owners tend to adopt nurturing and conservationist strategies. Lone founders tend to pursue growth and expansion strategies. The authors evidence that family businesses do not outperform contradicts previous studies. The authors state that the reasons for this contradiction lie in the proposition that previous studies do not distinguish between lone founders and family businesses, and thus do not take cognizance of the contrasting social contexts. Miller et al also point to evidence from their study suggesting that family businesses do not significantly underperform, and this contradicts some previous research as well, especially as it relates to nepotism and entrenchment. The suggestion is that families do tend to follow conservative strategies, but they do not penalize shareholders (family) for underperformance. A policy of family nurturing does not prejudice the viability of a firm. The authors encourage a policy of pruning and encouraging meritocracy.

Miller et al suggest limitations on their study. From the perspective of *methodology*, they recognize that (a)any study of public corporations is biased and does not reflect behavior of private companies, (b) fortune 1000 companies are outperformers by their nature of being in the index, (c) issues of survivor bias in the sample, and (d) the measures of ownership and family involvement were limited. Regarding *conceptual* issues, the following were limitations in the study: (a) the authors can not prove that the findings were a direct result of contextual issues, and (b) there is no granularity on why family business conduct there business repeatedly in a similar manner in contrast to lone founders.

Ferner et al (2004) undertake an empirical study of the transfer of policies and practices between US MNC's and UK subsidiaries by considering international workforce 'diversity' policies within American MNC's. Their findings illustrate a very poor absorption of policies by the UK subsidiaries. The authors point out that 'although the policies were 'implemented', the process of infusing with value' and 'internalizing' was at best incomplete.' The primary reasons for this were twofold: (1) despite similarities, the regulatory and normative environment between the two countries was greater than perceived; and (2) the extent of diversity was driven by tensions of principle, practice and interest within the US system and was only partially practiced domestically in the US. From the UK manager perspective, the benefits of the policies were often ambiguous due to different demographics.

The authors conclude that policy transfers abroad are often assumed to be generalizable and end up inappropriate. They also point to the short-comings of institutional analysis as it does not consider the cross-national tensions and resistance that exists. They suggest two areas of further research: (1) to widen the areas of policy internalization to consider whether 'diversity' is a special case, and (2) to analyze more deeply the influence of the host environment and whether an MNC from another country (other than the US) would have been more successful in this policy transfer.

Greenwood and Hinings (1996) suggest that the complexity of political, regulatory and technological changes globally has resulted in radical change and adaptation issue to become central in research. This is both from a competitive advantage and survival issue. The key theoretical issue they address in their study is the interaction between organizational context and organizational action. The authors also combine aspects of the 'old' institutional theory and the neo-institutional theory, the latter being developments since approximately 1985. The old institutionalism related to the following issues: influence, coalitions, competing values, power and informal structures. The neo-institutionalism considers: legitimacy, embeddedness of organizational fields, centrality of classification, routines, scripts and schema.

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The authors present three key themes in their study: (a) a major source of change resistance comes from embeddedness (central message of institutional theory),(b) the incidence of radical change and the pace thereof varies across sectors because of inter-sector differences and the extent of insulation from external ideas, and (c) both the incidence and pace of radical change will vary within sectors because of differences in internal organizational dynamics. The authors despite, previous research suggesting the contrary, conclude that institutional theory can play a role in understanding radical change, but this can only occur when the old and new institutional theories are combined. Secondly, the authors suggest that researching the interaction of actors together with institutional contexts will result in new directions. It is in the intersection that explanations of change and stability can be found. Finally, the suggest that the actions of values, power, interests and capacity must be included in research, but must be considered in the context of the organizational groups underrating the actions. This latter point is key because change and stability are best understood in the manner by which groups react to old and new institutional ideas given their exiting commitments and interest, and their ability to enforce them through existing power and capacity.

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ORGANIZATIONAL STRUCTURE AND CHANGE

This part of the paper reviews a number of studies in the field of organizational change in the context of creating meaningful and sustainable difference. However, research has not found a consensus on the change management principles and processes. This summary paper reviews the work of **Stouten, Rousseau and De Cremer (2018), Tangpong, Adebe and Li (2015), Amis, Slack and Hinings (2004)**, and **DeSanctis, Glass and Ensing (2002).**

Stouten et al (2018) point to the lack of cohesion in the literature elating to organizational change and undertake a review of the available research and offer then evidence-based steps in managing organizational change. Their goal was to identify areas of convergence between prescriptions and empirical research, contested issues and underused research findings. The authors indicate that multiple challenges exist in identifying the best manner to implement change. Firstly, traditional practice is typically a result of the prescriptions from authors or commentators that lack empirical evidence for their processes. The second challenge facing change practitioners is the difficulty of learning from experience. Experience requires practice and the rapid analysis of results but change management results are only known after a significant time lag and can not generally be repeated many times to benefit from 'learning'.

Regarding the prescriptive models of planned organizational change, the authors selected seven most notable models based on the criteria from Google web hits (60,300 to 4,800,000 hits), number of citations and interviewing practitioners.

First, *Lewin's Three-Phase Process (1948)* proposed a three-phase change process consisting of (1) unfreezing, (2) transitioning to a new stage, and (3) refreezing. Unfreezing includes a change vision and developing a change plan. Transitioning considers planning the structures, policies and procedures. Refreezing entails consolidating the change and aligning with the organization.

Second, *Beer's Six Step Change Management Model (1990)* reflect the views of a longtime Harvard scholar on change management. It was a systems-based approach that emphasized: (1) diagnosis and commitment, (2) a change vision defining new roles and responsibilities, (3) a consensus in support, (4) implemented and spread in organization, (5) integrated in structures, and (6) monitored and adjusted.

Third, *Appreciative Inquiry* (AI) considers the stages of: discovery, dream, design, and destiny. Unlike the other models, AI starts from a positive view and acts from what the employees think is successful. The discovery phase concerns what is successful; the dream stage encourages employees to add new innovative ideas, the destiny phase involves creating change plans to enable the 'dream', and then execution. AI includes much more participation than other models.

Fourth, *Judson's Five Steps* (1991) proposes (1) analyzing and planning the change, (2) communicating about it, (3) gaining acceptance, (4) transitioning from current to new situation, (5) consolidating. Judson also notes that no single approach can account for all the various factors impacting a situation.

Fifth, *Kanter, Stein and Jicks Ten Commandments (1992)* prescribe the following: (1) analysis of the organization and the need for change followed by (2) the creation of a shared vision and common direction, (3) separation from the past (3) creating a sense that important change is needed, (5) a strong leader role, (6) political sponsorship, (7) development of implementation plan, (8) enabling structures, (9) change communication should be honest and wide, (10) reinforcement and institutionalization. They indicate that each step should be challenged to allow for nuances and contextual factors.

Sixth, Kotter's Eight Step Model (1996) considers (1) a sense of urgency, (2) a guiding coalition, (3) develops the change vision, (4) vision is communicated to employees, (5) coalition (and employees) develop change plans, (6) promote short term wins to reinforce, (7) consolidation phase, and (8) integration.

Seven, Hiatt's ADKAR Model (2006) considers the acronym: awareness, desire, knowledge and ability, and reinforcement. ADKAR focusses mainly on processes that assist employees to be ambassadors of change.

There is clearly a big overlap in the models regarding processes and practices. The authors distill the key factors of each model into a common theme across all models and attempt to reflect on the scientific research relevant to each factor. The is presented in a table in their study. The authors conclude that managers are not acknowledging available scientific evidence in making organizational change. In addition, the making the following observations: (1) they urge management to take time over change planning to reflect and experiment; (2) they emphasize the centrality of goals in explaining human behavior, and (3) there is little evidence regarding the appropriate speed of implementation and the prescriptive models have no consensus. The authors recommend focusing on how well processes of change are implemented, rather than the 'right speed'.

Tangpong et al (2015) study the temporal effects of firm retrenchment and suggest the early adoption of such a strategy increases the probability of firm turnaround success. The authors define *retrenchment* as actions relating to downsizing, cost reduction, asset sales, and other business exits, or any other similar action engaged to save a firm. They define *organizational decline* as 'a condition in which a substantial, absolute decrease in an organizations research base occurs over a specified period of time…' and *turnaround* as 'restoration of a firm's performance to the level it had prior to the severe decline.'

The authors consider, both theoretically and empirically, the notion of 'early' and 'late' in considering the probability of retrenchment actions. The contribution to the body of literature is three-fold: (1) it approaches retrenchment from a temporal view, (2) the authors test the proposed model with a longitudinal design rather than a more limiting cross-sectional research design, and (3) it increases the granularity of the literature by focusing on specific retrenchment actions and their impact, empirically.

The authors use Weitzel and Jonsson's (1989) five-stage model to define the temporal retrenchment actions. Weitzel and Jonssons's stages of decline are as follows: blinded, inaction, faulty action, crisis, and dissolution. Tangpong et al consider that the second stage of 'inaction' to be the critical and deciding stage determining whether an action is early or late. Specifically, they propose that action taken during the first phase (blinded) is early, but action taken *after* the second phase (inaction) is late.

The authors used a matched-pair sampling technique commonly used in turnaround literature, and within a path-dependent framework. The sample was 48 controlled pairs of successful-unsuccessful firms. The period under review using companies from a North American database of firms was 1993 and 2008. The authors used a variety of turnaround measures, including ROI and ROA. A t-test was used for matching differences and determine the significance thereof. The bias of endogeneity was also tested for significance and was found to be insignificant in the study. Importantly, control variables were included in the analyses and comprised: firm size; diversification, liquidity; three measures of decline severity-operating margin, profitability decline rate and revenue decline rate; and three measures of industry conditions. The study also binary coded the temporal nature of actions taken – ‘1’ for extended and protracted action and ‘0’ otherwise. The processes, methodology and coding were defined in the study.

The results of the empirical study were as follows: (1) early retrenchment actions(within 2 years of initial firm decline) have a significant chance of turnaround; (2) some actions (like divestments and geographic exits) are positively related to turnaround, but early layoffs are not; (3) late action detracts from the probability of successful turnaround; and (4) early divestment and market exit(not layoffs) improve operating performance, internal performance and external capital market support which also contribute to likelihood of turnaround.

The notable contributions of the study to the literature are as follows: (1) introduced temporal factors to the theory; (2) highlights the path-dependent pattern of the relationship between retrenchment and turnaround; and (3) the study notes that there is a temporal aspect and an action-specific aspect to the relationship, considering that layoffs have a negative effect in contrast to other actions. The management applications and recommendations on decision-making, given the above results, are clearly evident: timing of action, and not all actions of retrenchment will yield a positive result.

Tangpong et al note various limitations of the study: (1) the sample was of severe declining firms, as opposed to moderate downturns; (2) the study does not contemplate the rationale of why management adopts an early or late action; and (3) the study only considers two speeds – late and early- and does not offer granularity on the pace of implementation.

Amis et al (2004) considered the pace, sequence and linearity of radical organizational transformation. The authors state that it is commonly held that radical change must occur rapidly and at a large-scale. But some studies have shown that indiscriminate radical change is neither appropriate, nor is it how it actually takes place in reality. Furthermore, very few studies have directly examined the pace of change especially considering the time series data required for such a study. There is also ambiguity relating to the exact order as to when certain parts of a firm should be transformed. Some suggests starting with the central functions, which others prioritize the peripheral functions. In sum, the significant gap in the research area is the pace and sequence of radical change.

The authors attempt to fill this gap and their paper produces the following conclusions: (1) rapid change throughout an organization is both insufficient and detrimental to the desired outcome; (2) the firms studies by the authors seemed to produce optimum outcomes when after an initial rapid burst, changes were thereafter more methodical (engendered trust and better working relationships); (3) early action is desirable given the benefits of momentum and substance (commitment) that tends to overcome inertia in the firm; and (4) evidence of oscillations and reversals were apparent in the -sub-organizations which also supports the notion against wide scale rapid change.

Amis et al note the limitations of their study: (1) there is a need for empirical research that analyzes why the pace, sequence and linearity of change vary; (2) they note that their work defines pace as comparatively fast or comparatively slow; and (3) they limited their study to only one aspect of change.

DeSanctis et al (2002) consider the question of how to organize R&D activities to yield the greatest value for the firm. They note that R&D initiatives is becoming increasingly business orientated and capital intensive. The authors consider three organizational designs for flexible

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R&D organizations: decentralized, networked, and integrated. The study outlines the advantages, disadvantages, preferred R&D strategy under various circumstances, and when to implement for success. Despite this, they conclude that there is no ‘best’ organization design. Firm-level factors dictate the specific model to be implemented, and the value of the study was to thus highlight the importance of management awareness of these respective advantages, disadvantages and application issues in decision-making.