Why are there so many kinds of organizations – or so few?

Org’l ecology theory: proliferation of diverse new org’l forms (populations) as technological innovations and resulting societal division of labor create niches for specialists to fill

EX: Railroads ⇒ freight insurance cos; stations; Internet ⇒ dot.com retailers

Institutional theory: legitimacy needs of an org’l field compel org’l forms to become isomorphic; deviants are starved for resources and public support

EX: Bureaucratic hierarchy as dominant across most industries; “taken-for-granted” as
DIVERSITY AMONG U.S. ORGS

Classify by Industry, Ownership, Size, Structure?

INDUSTRY: NAICS (formerly SIC) distinguishes hundreds of types of industries according to their primary products/services

33            = Manufacturing
336           = Transportation Equipment Manufacturing
3363          = Motor Vehicle Parts Manufacturing
33631         = Motor Vehicle Gasoline Engine and Engine Parts Manufacturing
336211        = Carburetor, Piston, Piston Ring, and Valve Manufacturing

OWNERSHIP: Small number of legal forms of property control

Proprietorship: single owner (full liability of personal assets)

Partnership: two or more owners

Corporation: privately held or publicly traded stock (limited liability)

Nonprofit: no profits distributed to shareholders

Public: governmental agency (state-owned)
Paradox: Most orgs organizations are very small, but most employees work in large

Millions of firms & establishments less than 10 employees, but just thousands with more than 1,000 workers (e.g., “Fortune 500” firms)

Establishment \(_{\text{def}}\) = a physical location where work occurs.

How Best to Weight Data:
Should analyses take the viewpoint of the organizations or that of their employees?

EX: Job Training 20% vs 70%

<table>
<thead>
<tr>
<th>Estab. Size</th>
<th>Employee %</th>
<th>Org. %</th>
</tr>
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<td>23.4</td>
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<td>1,000-1,999</td>
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<tr>
<td>2,000+</td>
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<tr>
<td>Total</td>
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<td>100.1</td>
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</table>
Internal Org’l Structures

Henry Mintzberg’s 4 basic org’l forms vary in their arrangements of the five internal parts (see p. 8 for details)

SOURCE: Fred Beshears
http://ist-socrates.berkeley.edu/~fmb/articles/mintzberg/
Rise (& Fall?) of the MDF

20th century saw creation and spread of decentralized multidivisional form (MDF) among large corporations (see Chandler’s organization chart, p. 101)

EX: General Motors’ major car divisions (Buick, Chevy, Olds, Saturn, etc) compete in different consumer markets

• Divisions each contain own set of functional units (finance, R&D, production, marketing, etc)

• Divisions managers responsible for tactical operations, efficient performance, achieving targets

• Divisions report to GHQ, which is responsible for overall org’l policy & strategy

QUEX: Are MDFs too unwieldy to compete in the global economy? Do their rigid structures prevent innovation and adaptation to rapidly changing environments?
Merger Manias

20th century also saw 5 major merger & acquisition waves
Largest wave is currently consolidating many industries:

EX: AOL Time Warner $169B; MCI-Sprint $108; Exxon

Theoretical explanations of friendly & predatory corporate takeovers:

- Resource dependencies
- Transaction cost efficiencies
- Institutional legitimation
- Network: board of director interlocks which help and hinder the M&A process

Fig. 3.8. Mergers and Divestitures

SOURCE: Mergerstat
Oliver Stone’s WALL STREET

Made in 1987 at the peak of the previous merger wave, this film fictionalized the illegal deeds of inside stock manipulators Ivan Boesky and Michael Milken. Michael Douglas won the Oscar for Best Actor, playing the aptly named “Gordon Gekko.”

Watch the infamous “Greed is Good” scene where Gekko defends the purpose of hostile takeovers, to improve the efficiency of mismanaged companies, as good for both shareholders and the economy. Does he make a valid point about the benefits of capitalism, despite his selfish motives and illicit methods?
The criminal characters in *Wall Street* are obsessed only with money and winning, not with creating goods and services.

Is Oliver Stone’s real point – that the capitalist value system puts profits & wealth ahead of everything else – a valid criticism of an unethical and inhumane system?

What alternatives do any of us have to playing this greedy game?