Organizational decoupling processes and causes

The field of organizational decoupling is a field that has not been researched very much. Meyer and Rowan (1977) were some of the first authors who wrote about this subject and define organizational decoupling as separating formal structure from actual organizational practice. In short, this means that organizations say that they do one thing, but actually do something else. For instance, an organization can announce that it will start a stock repurchase program. The organization can announce that it will repurchase a certain amount of stocks but actually repurchase much less stocks or don't repurchase them at all (Westphal & Zajac, 2001). In this particular example the organization decouples what it says it is going to do, with what it actually does. Thus, the organization separates formal procedures (formal structure) from practice.

So organizations seem to decouple their structure from actual practice, but why? Why do organizations try to fool other organizations, clients, customers and possibly even themselves? I argue that the main problem is legitimacy, and by exploring organization's quest for legitimacy and the problems they might encounter along the way, this research tries to map the main causes for organizational decoupling and thus give an answer to the following research question: " What are the main causes of organizational decoupling?"

This research consists of a step-by-step overview of the entire process underlying decoupling. Four steps will be taken to explore and explain why organizations decouple their formal procedures (formal structure) from practice. Namely, 1) looking at the context of organizations and their search for legitimacy, 2) looking at problems organizations might encounter while searching for legitimacy 3) identifying the problem that is supported to be the prime cause of decoupling and 4) looking at organizational reactions to these problems (using decoupling) to connect the causes the action (problems to decoupling). These three steps will be discussed in three paragraphs and each paragraph consists of a review of existing literature from different authors about the decoupling process. Figure 1. 1 shows the conceptual model sketching the process underlying decoupling. This model is divided into theory and propositions. The theory section shows which concepts form the theory behind the propositions and the propositions section shows which propositions are extracted from the theory. These propositions will form the core of this research.

Research Structure

The first step in the research is to take a look at the context of organizations and their quest for legitimacy. Organizations are embedded into institutional environments, meaning that the environment expects something of these organizations (Boxembaum & Jonsson, 2008). There are certain norms, values and rules that organizations are being expected to act upon. Organizations have to conform to these expectations to gain legitimacy and this is the one goal all organizations have. They have to be legitimate to operate, survive, gain control over resources and create stability (Meyer & Rowan, 1977; Boxenbaum & Jonsson, 2008).

For organizations, expectations are being experienced as pressures to conform. Therefore, this research will use the term environmental pressures to refer to these expectations. However, using the term environmental pressure sketches an image that is too vague and incomplete. Therefore this research divides environmental pressures into normative pressures and coercive pressures (Dimaggio & Powel, 1983/2000).

The term normative pressures refers to the expectations of the public or the “ cultural audience”. These are the people and other organizations that form society and expect organizations to behave in a certain way and to conform to moral norms and values. It is important to keep in mind that it is not illegal to disregard these expectations; they are social guidelines, not laws. Nonetheless organizations have to conform to these expectations to stay legitimate (Boxenbaum & Jonsson, 2008; and others). Coercive pressures however do consist of laws. In some situations organizations have to conform to certain laws that are being imposed by the government and this creates a pressure to conform. Organizations must conform because disobedience is illegal and illegitimate (Edelman, 1992).

The second step in finding the answer to why organizations decouple their formal procedures (formal structure) from practice lies in the problems organizations might encounter while pursuing legitimacy. This paper categorizes three different problems that might rise when organizations try to gain legitimacy by conforming to environmental pressures, namely:

1) organizations might encounter a misfit between the expectations of their environments and their practices (Meyer & Rowan, 1977); 2) some organizations might encounter an inability to conform to the coercive and normative pressures (Oliver, 1991); and 3) in some cases what an organization is being expected to do is in conflict with the interests of the

organization as a whole or of individual managers (Edelman, 1992; Westphal & Zajac, 2001; Fiss & Zajac, 2006).

The third step is to identify one of the three possible problems as the one that is the most important or most found cause of organizational decoupling. This step will eventually form an answer to the research question.

The fourth step is the step where organizations actually decouple their formal structure from practice as a response to the problems that have arisen as a result of environmental pressures. This chapter will discuss different ways in which organizations use decoupling to solve problems and it illustrates some particular situations and approaches to the different problems that might arise while trying to be legitimate. This chapter functions as a bridge between the " problems" and the actual decoupling.

Relevance of the Research

Because organizations experience the struggle for legitimacy on a daily basis, and therefore have to cope with problems that arise as a result, this research might give organizations an insight in how to deal with these pressures and problem situations. Managers of organizations can use the knowledge in this research to come up with strategies that both suffice the need for legitimacy as well as the need for efficiency and pursuing organizational interests.

The process underlying decoupling as illustrated in this research might also be used as a mean to gain legitimacy on its own. Because this research provides an insight into the reasons that organizations have to decouple their structure from practice, the public or " cultural audience" might come to a better understanding of the situation. They might understand that organizations sometimes have no other choice than to decouple and that the actions of organizations are actually quite legitimate, even if they are not considered to be at the moment.

The knowledge provided in this research can also lead to further research on decoupling an form a basis for other researchers to start from because it tries to explain the core concept behind decoupling and to give an answer to the “ why” question.

Theoretical Framework

Theory

The aim of this research is to explore and explain the process underlying organizational decoupling and summarize the main causes. But what is organizational decoupling exactly? Meyer and Rowan (1977) define organizational decoupling as ” separating formal structure from actual organizational practice”, meaning that organizations create an illusion of their activities (formal structure) but actually perform different activities (organizational practice). Many authors have used the term organizational decoupling but most of them refer to Meyer and Rowan as the “ founding fathers” of this field of study and therefore this research will use the definition of organizational decoupling as given by them.

The second important concept in this research is legitimacy. This research hypothesizes that organizations are on a quest for legitimacy and might encounter problems along the way.

Legitimacy is therefore one of the core concepts and will be defined as “ a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). This definition will be used in this research because Suchman (1995) includes the importance of the “ social audience” in his definition. As mentioned earlier, the “ audience” defines the social pressure that organizations experience and is therefore an important player in the process underlying decoupling, which in a way determines what is legitimate and what is not, and should therefore be included in the definition of legitimacy.

The third concept as mentioned in the conceptual model (figure 1. 1) is environmental pressure. Meyer and Rowan (1977) call this environmental pressure “ myths”. According to them, institutional rules function as myths to which organizations have to conform to be legitimate. This research however does not use the term “ myths” but the term environmental pressure, the definition however remains the same. As mentioned earlier this research separates environmental pressure into two different sub pressures: coercive pressure and normative pressure. Coercive pressure will be defined as “ the demand of the state or other large actors to adopt specific structures or practices, or else face sanctions” (Dimaggio & Powel, 1983/2000 in Boxenbaum & Jonsson, 2008, p. 80). Normative pressure will be defined as “ what is widely considered a proper course of action, or even a moral duty” (Suchman, 1995, in Boxenbaum & Jonsson, 2008, p. 80). These two definitions are chosen because they both point out the important difference between the moral and legal background of the concepts. The definition of coercive pressures specifically points out the role of the state and the risk of facing sanctions. This expresses the legal background of the concept. On the other hand, the definition of normative pressure points out the role of the “ audience”. This on its turn expresses the social background of the concept. Dimaggio and Powel (1983/2000) also mention a third pressure, namely mimetic pressure. These mimetic pressures are mainly caused by uncertainty. This uncertainty for organizations causes organizations to imitate other, successful organizations to reduce their own uncertainty. Even though the concept of mimetic pressures is a part of the “ pressure package” of Dimaggio and Powel (1983/2000) it will not be used in this research. The reason for leaving mimetic pressures out of the research and include only coercive and normative pressures is that this research hypothesizes that conforming to certain environmental pressure causes problems. Mimetic pressures however do not cause but rather solve problems (uncertainty)(Dimaggio & Powel, 1983/2000).

Propositions

This research also mentions three different problems that organizations might encounter while trying to be legitimate. The first are efficiency problems. These problems are defined as problems that might arise when organizations try to conform to environmental pressures, which actually are in conflict with efficiency criteria (Meyer & Rowan, 1977). The second problem is the inability to conform to environmental pressures. This problem will be defined as a problem that might rise when an organization has inadequate resources or capacity to meet the requirements of conformity (Oliver, 1991). The third are conflicting organizational or managerial interest problems. These are problems that might rise when environmental pressures are in conflict with the organizational or managerial interests (Edelman, 1992; Westphal & Zajac, 2001; Fiss & Zajac, 2006).

Based on these three possible problems three propositions are made:

Proposition 1

Organizational decoupling is caused by efficiency problems.

Proposition 2

Organizational decoupling is caused by the organization's inability to conform to environmental pressures.

Proposition 3

Organizational decoupling is caused by conflicting organizational or managerial interests.

Table 2. 1 – Concept Definitions

Organizational decoupling

Separating formal structures from actual organizational practice

Legitimacy

A generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions

Environmental pressure

Institutional rules function as environmental pressures to which organizations have to conform to be legitimate

Coercive pressure

The demand of the state or other large actors to adopt specific structures or practices, or else face sanctions

Normative pressure

What is widely considered a proper course of action, or even a moral duty

Efficiency problems

Problems that might arise when organizations try to conform to environmental pressures, which actually conflicts sharply with efficiency criteria

Inability to conform to environmental pressures

Problems that might arise when an organization has inadequate resources or capacity to meet the requirements of conformity

Conflicting organizational or managerial interests

Problems that might arise when environmental pressures are in conflict with the organizational or managerial interests

Research design

This research can be characterized as both a descriptive and an explanatory research. It is both descriptive and explanatory because the aim on one hand is to describe current “ mainstream” findings of other researchers on organizational decoupling and on the other hand to explain the whole process underlying organizational decoupling. This chapter will describe the process of data collection and data analysis using a part of the guidelines for conducting a systematic literature review as suggested by Tranfield, Denyer and Smart (2003). According to them conducting a review can be divided into several phases (table 3. 1). These phases will form the steps used in this research for both data collection and analysis.

Phases in conducting a review (Tranfield, Denyer & Smart, 2003)

Phase 1

Identification of research

Phase 2

Selection of Studies

Phase 3

Study quality assessment

Identification of Research

This phase of the research is the actual start of the data collection. According to Tranfield, Denyer and Smart (2003) a systematic search begins with identifying keywords and search terms. As mentioned in chapter 2 (Theoretical Framework), this research contains several concepts, which again can be found in the conceptual model (figure 1. 1). These concepts are the core of this research and therefore some of them will be used as keywords to find relevant articles and papers. The first string of keywords is as follows:

1) Decoupling; 2) Legitimacy; 3) Institutional pressures. Table 3. 2 shows the number of articles found for each keyword.

Number of articles found

Decoupling

12. 262

Legitimacy

8. 199

Institutional pressures

1080

To make the keywords more specific and to make sure that the results of the search are narrowed down the following, more specific keywords were identified and some keywords were added to the string (see table 3. 2 for argumentation):

1) Organi? ational decoupling; 2) Acquiring legitimacy; 3) Maintaining legitimacy; 4) Conformity + institutional pressures; 5) Symbolic management

Keyword argumentation

Organi? ational decoupling

Adding “ organi? ational” to the term “ Decoupling” makes the term more specific and narrows down results

The “?” makes sure that both the English and the American spelling of the word are being checked for

Acquiring legitimacy

Adding “ Aquiring” to the term “ Legitimacy” makes sure that the search focuses on the organization’s search for legitimacy and not just on legitimacy itself

Maintaining legitimacy

Adding “ Maintaining” to the term “ Legitimacy” makes sure that the search focuses on the organization’s struggle to maintain legitimacy and not just on legitimacy itself

Conformity + Institutional pressures

The term “ Institutional pressures” refers to the pressures that weigh upon organizations

The term “ Conformity” refers to the theory that organizations have to conform to certain pressures to be legitimate

Symbolic management

Decoupling is using symbols to show that your organization conforms to certain institutional pressures (myths) (Meyer & Rowan, 1977)The use of these symbols as a management strategy is called symbolic management (Westphal & Zajac, 1998; 2001)

The main source of information will be the ISI Web of Knowledge. This database contains thousands of articles and papers, which can be found using the license of the University of Tilburg. Unfortunately this license only allows the search for articles that have been published in 1988 or later. However, for the first step in searching relevant literature this is not a reason for concern.

Again, to narrow down the results of the research and to exclude irrelevant results, the search will be refined to the general category “ Social Sciences”. This makes sure that the search results do not include findings in irrelevant categories such as “ Science and Technology” and “ Arts and Humanities”. Second, the subject areas of the search are also refined. The subject areas that are included in the search are “ Business and Economics”, “ Sociology” and “ Behavioral Sciences. An example of the exact syntax of the search command can be found in the appendix.

Besides using search-strings, this research also used the technique of “ snowballing”. This technique uses the literature references of articles and papers that might have been found using the search-strings. For instance, the paper of Meyer and Rowan (1977) is being referred to by almost every author in the field of organizational decoupling. However, this article does not pop up in the search results in the Web of Knowledge database because it was published before 1988. By using snowballing other relevant articles about the subject can be found.

The result of using this technique is that the latter part of the literature used in this research was found in the literature references of the articles that were found by using the “ organi? ational decoupling” search term.

Selection of Studies

After searching for articles a selection of relevant studies had to be made. This process consists of three steps: 1) scanning the titles 2) reading the abstracts of the studies found and 3) matching the content of the studies to this research’s concept.

The first and second step give an indication of what the studies are about. The title says a lot about the content of a paper and the abstract of an article gives a short summary of what the author has found in his or her study and thus gives an indication of the usability for this research.

The third step is actually a sort of analysis of the studies that have been marked as “ relevant and usable” in the previous two steps. This step consists of actually reading the selected studies and mapping their contents. Mapping the contents of a article or paper that are relevant for this research is being done by using a summary table (see appendix 6. 2). This table is an oversight of the different articles and papers, their authors and the main concepts of these studies. After reading all the relevant literature this table is used to divide the different studies into different categories. The different categories consist of the core concepts of this study as shown in figure 1. 1 (conceptual model), namely: 1) legitimacy; 2) conforming to coercive pressures; 3) conforming to normative pressures; 4) efficiency problems; 5) inability to conform to environmental pressures; 6) conflicting organizational or managerial interests; and 7) implementing decoupling.

Dividing the literature into these different categories makes it easier to link them together in this research and to formulate an answer to the research question.

Study Quality Assessment

The quality of this research will be guaranteed by checking the literature that is being used as data. By checking the literature for " times cited" the reliability and validity of the literature is being secured. The more a particular article or paper is cited by other authors, the higher the reliability and validity of this particular article or paper. However, this also means that the older articles seem to be more reliable. To overcome this bias articles of more recent years have also been taken in to account and have been checked for usability separately.

Another method for improving the reliability of the research is to use theoretical triangulation. By looking at different theories, the concept of organizational decoupling will be explained in a reliable and multidimensional way.

To guarantee that this research can be replicated and checked for inconsistencies or to extend it, every step of the research process is being recorded. Also, the systematic way of analyzing the data ensures both replicabillity and reliability.

Results

As mentioned earlier, this research consists of three steps in explaining the causes of organizational decoupling. These three steps are according to the conceptual model

(figure 1. 1) and try to explain the process underlying decoupling step-by-step and will be covered in the following paragraphs.

Quest for Legitimacy

Before we can point out which problems could cause decoupling we must first take a look at how these problems rise in the first place. The theory shows that organizations try to be legitimate and are thus on a quest for legitimacy. Acquiring and maintaining legitimacy is the most difficult task for most organizations (Elsbach & Sutton, 1992; Pfeffer & Salancik, 1978: 194). Nonetheless, organizations have to be legitimate to operate, survive, gain resources and create stability (Meyer and Rowan, 1977; Boxembaum & Jonsson, 2008).

So one of the main goals of organizations is to be legitimate, but how do organizations achieve this? Boxembaum and Jonsson (2008) argue that organizations are embedded into institutional environments. Being embedded into institutional environments means that this environment has certain expectations of the organizations. These expectations are being experienced as pressures, and organizations have to comply with these pressures to maintain legitimacy (Dimaggio & Powel, 1983/2000; Monahan, 2006). These pressures can be either coercive or normative (Seidman, 1983; Dimaggio & Powel, 1983/2000). Coercive pressures refer to environmental expectations such as, for instance, laws. The argument that organizations have to conform to coercive pressures is supported by the work of Tsoukas (1994) who argues that in some environments organizations have to conform to rules and institutions as imposed by the legal state.

Normative pressures refer to norms and values about what is considered proper or normal (Suchman, 1995). In their work on educational organizations and ranking Sauder and Espeland (2009) write about the normative pressures that educational organizations have to conform to. According to them, educational organizations are being ranked according to their performance. Schools have to be the best of the best to survive and thus have to conform to today's ideas of what is considered good quality and bad quality.

Problems Along the Way

So in short, organizations try to be legitimate by conforming to both coercive and normative environmental pressures. Conforming to these environmental pressures seems to be the right and only thing for organizations to do. However, this research hypothesizes that it might also cause certain problems. This research distinct three particular problems, namely: 1) efficiency problems; 2) inability to conform; and 3) conflicting interests.

Efficiency Problems

Meyer and Rowan (1977) argue that organizations that try to be legitimate by conforming to environmental pressures might encounter a misfit between the organizational structure and it's practice. In other words, the environmental pressures are not in line with the organizational practice. For instance, Meyer and Rowan (1977) mention the example of a bus company. A bus company is expected to service certain routes, even when there are no passengers. This is highly inefficient, but the bus company has to conform to the environmental pressures. Edelman (1992) also point out the efficiency problems that might rise in their example of the equal employment opportunity and affirmative action (EEO/AA) law. This law is designed to ban discrimination in the hiring processes of firms and thus restricts organizations and managers to hire or refuse whomever they want. According to Edelman (1992) organizations experience this as highly inefficient and obstructing to managerial power.

Inability to Conform

A second problem that organizations can encounter is that they simply cannot conform to the environmental pressures. Oliver (1991) argues that some organizations are just not able to conform to certain environmental pressures because they do not have the needed resources or the capacity. For instance, it is more or less a social expectation (thus, a normative pressure) that the area surrounding a fast-food-restaurant is kept clean and clear of garbage by the restaurant itself. However, the restaurant might not have enough personnel or the material (resources and capacity) to conform to this expectation. It might also be possible that organizations simply do not know what is being expected of them or that multiple environmental pressures are conflicting with each other (Oliver, 1992). If any of these options is the case, then the organization might not be able to conform or choose to conform to one pressure, but ignore the other (conflicting) one.

Conflicting Organizational or Managerial Interests

The third problem that can rise as a result of trying to conform to environmental pressures is that certain organizational or managerial interests might be conflicting with the expectations (environmental pressures). Westphal and Zajac (2001) point out that some organizations that announce a stock repurchase program do not always fully implement these programs. According to them this might be a result of conflicting managerial interests. They argue that top managers might use this strategy, which is actually decoupling, to preserve free cash flow for themselves and thus to maintain managerial discretion over the allocation of resources. In other words, the organization is being expected to fully implement the stock repurchase programs, but top managers seem to want to keep control over the allocation of resources and thus do not (completely) conform to this environmental pressure. What is being expected, and the interests of the managers are conflicting with each other.

The previous mentioned findings of Edelman (1992) about the EEO/AA law and it’s consequences for organizations are also supporting the “ conflicting interests” argument. Edelman (1992) not only argues that conforming to the EEO/AA law, a coercive pressure, is inefficient but also argues that it is in conflict with organizational and managerial interests. Managers want to be free in hiring whomever they want but the EEO/AA law prohibits them from doing this. Thus, the coercive pressure to which the organizations have to conform is in conflict with the interests of the organizations themselves and their managers.

Decoupling as a Problem Solving Tool

So far we have traced the process underlying decoupling from trying to be legitimate, to conforming to environmental pressures and to the problems this might cause. This research argues that these problems are the main causes of organizational decoupling but so far nothing has been said about the implementation of decoupling as a response to these problems. This paragraph will give some examples of how organizations use decoupling to " solve their problems" and will form a bridge between the problems and decoupling.

According to Meyer and Rowan (1977), efficiency problems can be solved by formally adopting a structure but then internally decouple this structure from the actual practice. They give an example of how a hospital applies this strategy. In this example Meyer and Rowan (1977) point out that hospitals " treat", not " cure" their patients. The environmental pressures prescribe that hospitals are being expected to cure patients. However, this is highly unpractical because they cannot cure every single patient. The solution to this problem is decoupling. Hospitals give an impression that they cure their patients, and thus conform to the environmental pressures, but actually these hospitals treat their patients and do not cure all of them. In fact, hospitals only publish numbers on treated patients and not or seldom on cured patients (Meyer & Rowan, 1977).

Edelman (1992), regarding to the EEO/AA law example, also gives a " solution" to the efficiency problems. Organizations create formal structures in the form of offices, positions, rules and procedures within the organization. These formal structures are actually symbols of compliance. They give the impression that the organization conforms to the environmental pressures, but in fact the organization can hire or reject someone on " illegitimate" grounds (Edelman, 1992).

When an organization does not have the resources or capability to conform to environmental pressures, it will attempt to preclude the necessity of conformity or to conceal nonconformity behind a façade of acquiescence (Oliver, 1991). Oliver (1991) gives an example: when a construction firm is building a house and they are expecting a government inspection of the building site, they might display several activities that normally are not there. For instance, rules require two men to operate heavy machinery on building sites. However, a building firm might not have enough personnel to put two men on the job and thus normally only one man operates the machinery. When the building firm expects an inspection it will, for instance, relocate someone from another building site to the one that is being inspected. So when the inspectors come, the heavy machinery is operated by two men, while normally it is not. This way the organization (construction firm) conceals its nonconformity.

A possible solution to the third problem, conflicting organizational or managerial interests, is already mentioned shortly in the previous paragraph. The example of the stock repurchase program (Westphal & Zajac, 2001) shows that individual managers simply do not implement the whole program when their interests are in conflict with the plans.

So in short, decoupling actually comes down to the following: give the environment the impression that the organization conforms to all expectations (environmental pressures), but when these pressures cause some sort of problem for the organization, actually follow the organizations own rules and routines.

Conclusions & Recommendations

This chapter will formulate conclusions that are derived from the results and give some recommendations for further research on organizational decoupling.

Conclusions