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ORGANIZATIONAL ADAPTATION TO ENVIRONMENTAL CHANGE

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FOREWORD

Through this series of working papers, the Institute of Governmental Studies, Berkeley, provides a channel through which scholars at work on problems of public organization may present their thoughts in a convenient form and without too much delay. We envision this series as a modest undertaking, but we hope that "Studies in Public Organization" will make some contributions toward an understanding of the properties that describe the variety of public organizational systems that exist throughout the world. We want also to note that no single formula will dominate; the series will contain papers that are theoretical, methodological, comparative, or historical. It is open to faculty and student contribution alike, not restricted to this campus, and its objective is to publish papers that engage important problems and present interesting ideas.

Committee on the Study of Public Organization
IGS, University of California, Berkeley
The Editors
So the first part of the problem appears to be whether we can now in fact discover the means to close
the gap between the changes that destroy the old, which was not bad but is not, in the new dispensa-
tion, good and useful, and the developments which are to take the place of the old, but which do not
take place fast enough.

Elting Morison,
Men, Machines and Modern Times

Pareto's Sociologie Generale is a long demonstration that the institutions of society from ancient to
modern times are based upon non-logical motives and that they are accompanied by an incessant din
doing reasons. Much of the error of historians, economists, and all of us in daily affairs arises from
imputing logical reason to men who could not or cannot base their actions on reason.

Chester I. Barnard
The Functions of the Executive

Large scale formal organizations, especially in bureaucratic forms, are supposed to be systems of logic
which control on the basis of knowledge. (Weber, 1964). In fact, Simon (1958) has described organizations as
hierarchies of ends where rationality is defined in terms of the construction of means-ends chains. In this view,
such organizations are rationally designed instruments intended to achieve specific ends. It is from these features
which derive the power and efficiency marking formal, typically but not exclusively, hierarchical organizations as
the dominant organizational form in modern society.

However, that organizations are not and cannot be operated as closed systems—contrary to Weber's impli-
cit assumptions—is now well understood. Research on and theories of formal organization of the last thirty
years have come to recognize that organizations are affected by their environments. They achieve their goals
only subject to external conditions which are not always easily comprehended or susceptible to control. Organiza-
tions are "open systems" analogous in some ways to biological organisms. And it appears that environmental
influences on organizations are only increasing. (Terreberry, 1968)

Following the "rational instrument" image of organization, in the static case, we would expect to see varia-
tion between organizations found in different environments. Different external conditions require different
organizational characteristics and behavior patterns within the effective organization...Different types of organi-
zation (are) effective under different conditions. (Lawrence and Lorsch, 1967. In the words of Alexander (1979),
we expect organizations to fit "form to context". And, as Hannan and Freeman note
the diversity of organizational forms is isomorphic to the diversity of environments. In each distinguishable environmental configuration one finds, in equilibrium, only that organizational form optimally suited to the demands of the environment. Each unit experiences constraints which force it to resemble other units with the same set of constraints. (1977)

In the dynamic case, as an organization's environment changes, we would expect the organization to change as well—under norms of rationality, it should adapt to alterations in relevant external factors. (McNulty, 1962)

However, that large scale formal organizations are all too frequently rigid, inflexible, and highly resistant to change—even in the face of obvious shifts in relevant environmental factors—have become common plaints in both the popular press and academic literature on organizations. The image of formal organization as rational instrument leads to expectations of adaptation, yet organizations apparently do not adapt too well: "For all the propaganda of the last 30 years on planning, and for all the talk of systems design and engineering of the last decade, we anticipate very little and have been able to control even less." (Landau, 1973)

Recently, however, we find March making an entirely different claim. Says March, "organizations are continually changing, routinely, easily, and responsively." (1981, 563). While he notes that "a common theme in recent literature...is that of attempts to change frustrated by organizational resistance," nevertheless "what most reports on implementation indicate...is not that organizations are rigid or inflexible, but that they are impressively imaginative." (1981, 563). How to explain this apparent contradiction?

The answer, we believe, lies in a close examination of the criteria or standards used to evaluate the character of organizational change and its relationship to environmental alterations, a task which leads us to a consideration of the assumptions, implicit and explicit, of three models of organizational adaptation: population ecology, rational instrument, and political coalition. Each model creates an entire set of expectations regarding organizational processes and behavior in the face of environmental changes. The model employed also leads the researcher to look for some sources of failure to adapt and to ignore others, or to find some factors that are actually quite influential in successful adaptation entirely irrelevant.

This paper consists of five major sections and a conclusion. The first section outlines the specific intentions, limitations on the subject matter, and generalizability of the paper. In the second and third sections, the assumptions, expectations, and limitations of the population ecology and rational actor models of organizational adaptation are explored. The fourth and fifth sections develop the political coalition theory of organizational
adaptation.

1.0 Intentions and Scope of the Paper

The intent of this paper is to outline a deductive theory of adaptation to environmental changes by large scale formal organizations with foundations in well-developed theories of inducement, interest group behavior, coalitions, power, goal formation, and environments.

The explanatory thrust of a formal theory of this kind resides completely in the generality of the theoretical propositions and in the fact that the empirical findings can be deduced from them in strict logic. (Blau, 1970, 202)

In other words, the aim is to develop a relatively small number of interrelated general propositions which account for a significant amount of organizational behavior as it relates to changes in organizational environments. The contribution of this paper rests less upon the originality of the propositions presented, the majority of which may be found in extant literature, than upon the systematic interrelation of propositions of comparable abstraction, the derivation of lower order propositions from higher ones, and making explicit the basic and auxiliary assumptions and primitive terms upon which the political coalition theory of organizational adaptation is founded.

The paper aims at a theory of formal organizations as political coalitions which is specifically related to environmental alterations and the problem of adaptation. The theory is intended to cut across the public and private sectors, centralized and decentralized organizations, types of technologies employed, goods produced, or services provided, despite clear recognition that each of these factors affects in unique ways the construction of coalitions and the particular processes of conflict resolution that emerge.

In particular, the paper focuses on environmental changes of a magnitude and type which surpass the built-in flexibility of formal organizations (e.g., those organizational mechanisms analogous to mechanical governors or thermostats) to adjust effectively, and which require some significant modification or rearrangement of organizational structures and processes in order for the organization to continue to perform efficiently. On the other hand, the paper does not address environmental alterations of so great a magnitude that changes in organization would virtually eliminate any continuity between the old form and the new. Discussion is therefore limited to the broad middle range of environmental changes.
In this sense, the object is to comprehend internal adaptive processes common to a wide variety of formal organizations, rather than to explain the emergence of new types of organizations and the disappearance of older forms. Thus, the political coalition model (Burns, 1961; March, 1962) directly competes with the rational instrument model as an explanation of adaptive processes rather than with evolutionary or population ecology theories. The latter theories focus on entire populations of organizations and on issues of variation, selection, and retention, while ignoring the specific processes which characterize particular organizations. (Campbell, 1969; Hannan and Freeman, 1977; Hawley, 1968; Aldrich and Pfeffer, 1976). We return to the limitations of the population ecology approach for the particular purposes of this paper in the next section.

1.1 Other Qualifications and Caveats

Several other qualifications need be made. Not all changes in organizations result from adaptation to environmental shifts. Although innovation is sometimes closely linked to adaptation (Mohr, 1969), the two may be considered as distinct processes. In particular, while both innovation and adaptation ultimately involve modifications of organizational structures and processes, the former is based on proaction, the latter founded on reaction (even where organizational change is based upon anticipation of environmental shifts). Innovation need not be related to environmental changes. As "adapt" is used in this paper, it means to fit, or to make suitable (Oxford English Dictionary), in the case of organizations, to the environments in which they reside. Innovation is therefore excluded from consideration except as it affects environmental conditions relevant to adaptation, e.g., innovation by other organizations in an environment.

Independent of whatever requirements for organizational change may be imposed by environmental shifts, an organization's position in its "life-cycle" (McNulty, 1962; Mueller, 1972) affects the particular emphases, structures, and processes appropriate at a given point in time. Life-cycle changes may produce pressures for organizational change nearly identical to those produced by environmental shifts. And, certainly, on some occasions life-cycle and environment interact, while at other times life-cycle changes occur in a stable environment or environmental changes take place during a single stage in the life-cycle. While recognizing these complexities, given the purpose of this paper, and for the sake of simplicity, we focus on the last case only, where environmental changes and life-cycle remains constant.
Although extremely large organizations (and sometimes smaller ones as well) have the capacity to alter significantly their environments instead of simply reacting to environmental changes in a passive manner, for the purposes of this paper only effects of the environment on the organization will be considered. This approach improves simplicity, and, as we shall shortly see, does not diminish the explanatory or predictive power of the political coalition model.

Other factors such as organizational wealth or the presence of slack also affect the organization's ability to adapt by constraining the number of alternate approaches to environmental shifts that can be supported simultaneously, thus affecting not only organizational effectiveness but the process of conflict resolution as well.

Finally, although much can be learned about what range of specific organizational forms will work effectively in any given environment by examining a variety of environments and the organizations within them (the static case) such an endeavor tells us nothing about the actual organizational processes of adaptation to changes in environment. The empirical thrust of any theory of organizational adaptation must emphasize longitudinal observations of individual organizations as their environments change.

2.0 The Biological Metaphor and the Population Ecology Model

The open system image of organization derives from a biological metaphor.

Such a system maintains itself in a continuous exchange of matter and energy with its environment. That which enters the system from the environment becomes a part of its internal processes. Changes in the environment have far-reaching effects upon the system...a system, then, is always changing, constantly taking in and putting out, breaking down and building up its own substance. (Landau, 1979)

Furthermore, "every living system is 'self-regulating.' Though in a state of constant exchange, it acts to keep both its internal condition and external environment stable." (Landau, 1979). Biological organisms adjust both to variations in external conditions confronting individual organisms, and ultimately to secular changes in the environment facing entire species. Thus, the "biological" image of organization, leads to expectations of adaptation.

Following the biological metaphor of the open system, presumably a process of natural selection occurs in which only those organizations with appropriate features survive; e.g., those which have successfully adapted. Natural selection assumes several conditions: that variation occurs, near perfect competition exists, selection
occurs on the basis of the match between organization features and environment, and failure or mortality in the population takes place.

Propositions

2.00 Large scale formal organizations are open systems in constant exchange with their environments.

2.01 Large scale formal organizations are subject to systemic constraints advantaging organizations that adapt to environmental changes.

2.1 Limitations of the Biological Metaphor

However, once we go beyond its open system aspects, the biological metaphor proves limited as a tool for the study of organizational adaptation. Metaphors are only metaphors, they are not to be taken literally. Therefore, we need be quite explicit about both the similarities and dissimilarities of the empirical phenomenon we are studying to the metaphorical image we employ.

Even in the domain of private organizations, perfect competition rarely exists. And, in the public domain of subsidies and mutually exclusive jurisdictions competition is the infrequent exception rather than the rule: competition is avoided rather than encouraged. Thus, perfect competition—a principal mechanism in biological evolution—is missing. Gross inefficiencies and maladapted decisions are regularly tolerated in the public domain and the tendency to reward organizational failure by larger appropriations exacerbates the problem. Usually "it does not pay for an organization to move heaven and earth to stabilize its sphere of action by solving its problems." (Landau, 1973)

Even if there were perfect competition among organizations, biological evolution occurs through chance variation and mutation, while formal organizations are primarily (though not exclusively) instruments rationally designed by men. (Child, 1972)

From a population ecology perspective, it is the environment which optimizes....So if there is a rationality involved, it is the "rationality" of natural selection. (Hannan and Freeman, 1977)

Even if the creation of variation in organizations occurs through a trial and error process (and it frequently does), it is still a consciously directed process with a goal or goals in mind. A population ecology model of organizational adaptation finds the sources of variation and the actual processes of organizational change
essentially irrelevant. (Aldrich and Pfeffer, 1976). What matters is the appearance of new forms of organization and the disappearance of old coinciding with environmental changes.

Theories of evolution and population ecology use individual species as the unit of analysis. An entire species, through genetic mutation and variation, gradually changes and persists or does not change and dies out. Thus, in the population ecology model the focus is on populations of organizations. Discussions of organizational adaptation, however, must focus on individual organizations, not species of organizations (although sometimes claims are made about the differential capacity of classes of different organization structures to adapt; i.e., decentralized vs. hierarchical forms), in order to comprehend the internal processes which lead or do not lead to adaptation.

Particular members of animal and plant species do not themselves adapt to changes in their environment, except in the sense of temperature regulation, for example. Only entire species adapt to secular environmental changes through genetic recombination. Adaptation is reflected only in offspring, not in the parent organisms. Organizations, however, are not in any sense presumed to parent offspring which are better or worse adapted to ongoing environmental changes, but themselves adapt through conscious, directed alterations of their own features.

The central questions for the population ecology model are why are there so many kinds of organizations, why do new forms of organization come into existence, and why do existing forms sometimes disappear? On the other hand, our task here is to understand by what processes it is that organizations manage to adapt to changes in their environments. Still, beyond the image of organization as open system two other useful aspects of the biological metaphor remain. It focuses on the nature and distribution of resources in the organizational environment as a central force in change rather than on internal leadership or participation in leadership and takes into account the historical context within which organizations emerge. (Aldrich, 1979, 55) Perhaps more importantly, the idea—basic to the biological metaphor—that some process of selection operates to, if nothing else, provide an incentive for organizations to adapt to environmental changes underlies both the rational instrument and political coalition models.
3.0 The Rational Instrument Model

The second model of organizational adaptation to environmental change is founded on a more general view of organizations as rational actors.

In the rational model, the organization is conceived as an "instrument"—that is, as a rationally conceived means to the realization of expressly announced group goals. Its structures are understood as tools deliberately established for the efficient realization of group purposes. Organization behavior is thus viewed as consciously and rationally administered, and changes in organizational patterns are viewed as planned devices to improve the level of efficiency. (Gouldner, 1959, 404)

According to Perrow, the proponents of the rational model "see the managerial elite as using rational and logical means to pursue clear and discrete ends set forth in official statements of goals." (1961, 854)

Wildavsky (1972) has addressed the problem of organizational adaptation (although without using that language) in terms of rational designs:

The ideal organization would be self-evaluating. It would continually monitor its own activities so as to determine whether it was meeting its own goals or even whether those goals should continue to prevail. When evaluation suggested that a change in goals or programs to achieve them was desirable, these proposals would be taken seriously by top decision-makers. They would institute the necessary changes; they would have no vested interest in the continuation of current activities, instead they would steadily pursue new alternatives to better serve the latest desired outcomes. (Wildavsky, 1973)

Thus, as distinct from the biological metaphor and the population ecology model the rational instrument model

places great emphasis on active alternative generation and search procedures as sources of variation. Planned variations, such as tactics and strategies in competitive situations, are emphasized, as is the socially constructed nature of organizations. Variations are selected in terms of their fit with a specific criterion, and it is assumed that structural or behavioral patterns are selected, discarded, or modified on the basis of their contribution to the organization's goals. (Aldrich, 1979, 107)

In its most basic form, the rational instrument model assumes that a joint preference ordering exists for the organization at any given point in time, and that the organization always chooses the alternative behavior that is most preferred. (March, 1962) For the business firm, the objective is assumed to be profit maximization and is accomplished by determining an output to be produced given a production function, a cost function, and a price. (March, 1962, 668) Such a constant preference ordering is important because the definition of organizational goals is commonly utilized as a standard for appraising organization performance. (Thompson and McEwen, 1958)
Following a similar rational instrument model, Schein (1970) has outlined the process of organizational adaptation.

a) The organization must sense a change in its environment.

b) The relevant information is then imported to the appropriate subunits of the organization.

c) Having accomplished that task, the next step is to alter the internal processes and structures of the organization to fit the changed environment and to stabilize those changes.

d) Then the organization exports new services or products, obtains feedback, and makes further adjustments.

This process is shown schematically in Figure 1. The mechanism which promotes adaptation is not random variation and survival, but a conscious effort to "do a good job" and rational calculations intended to maximize some specified utility function. This is consistent with Dewey's problem-solving process and fits with what Simon (1985) has called the "substantive" model of rationality.

3.1 Why Adaptation Fails to Occur

In the rational instrument view of organization, several factors "intrude" to mitigate against adaptation. According to Schein, failure to adapt results from problems of cognition and communication. (Schein, 1970) Janis (1982) has argued similarly. The solution is found in "good communication, flexibility, creativity, and genuine psychological commitment." (Schein, 1970) These conditions can be achieved by practices which stimulate rather than demean people, more realistic psychological relationships, more effective group action, and better leadership. "The argument is that systems work better if their parts are in good communication with each other, are connected, and are creative and flexible." (Schein, 1970) By emphasizing rational decisionmaking, Schein's analysis addresses failures only in stages A, B, and F (Figure 1), while a failure at any stage can prevent adaptation. Issues of intraorganizational power and control are ignored.

In contrast, if we look at work on innovation in areas analogous to problems of adaptation we find an emphasis on the difficulties attendant to implementing innovations in formal organizations. For example, Wilson (1966) describes three stages in the process of innovation: conception, proposal, and adoption/implementation. While the initial stages of innovation can be described as intellectual tasks,
Figure 1
Rational Instrument Model of Organizational Adaptation to Environmental Change
The process of adopting innovations can be looked upon as essentially a political one characterized by bargaining; the more diverse the organization the more bargaining must occur before changes can be made. (Wilson, 1966, 203)

Why the apparent resistance to change? Merton (1957) has argued persuasively that goal displacement renders a bureaucracy incapable of dealing effectively with anomaly and surprise, while Hrebinia (1978) suggests that things about which people know little or for which they are unprepared cause resistance to change. From this perspective, a principal cause of the failure to adapt is the replacement of knowledge-based organizational codes by the "overwhelming tendency of bureaucrats to judge one another's competence on the basis of how well they conform to existing patterns"—a radical form of goal displacement. (Landau, 1973) Following a similar theme, J.D. Thompson (1967) contended that the problem of goal displacement through an over commitment to means should be especially prevalent in periods of significant changes in technology or in task environments and foreshadow the need for some sort of reorganization.

In a related manner, March (1962) has discussed the problem of institutionalization of instrumental devices—organization structures and procedures—and the processes by which it takes place: through structure and budgets, and reification through indoctrination and identification. And according to Wildavsky (1972) "men who have been socialized to accept certain alternatives may be reluctant to change. Resistance to change then takes the form of preserving social objectives."

These are all departures from what a utility maximizing rational model of organization would lead us to expect. They result from common social psychological processes in the context of organizations. They address primarily difficulties attendant to making internal changes in structures and processes which Schein neglects. Here, the solutions are to be found in more experimentation, search for error, in essence a different attitude. (Landau, 1973.

Even were these areas to be improved, problems would remain. Presumably, managers adapt their organization structures to obtain higher levels (or at least to maintain consistent levels) of organization performance. This perspective implicitly assumes that those designing organization structures are interested in enhancing performance, that performance can be assessed, that agreement exists about how to make the assessment, and that there is goal congruence or at least enough power to ensure goal congruence.

The first assumption is weak because it may not be rational to fix problems. (Landau, 1973). The second
and third assumptions are also weak: "the monitoring systems of complex organizations are not sharply attuned to goals and the sensors which do exist receive rather equivocal reference signals... (Landau, 1973). It is the fourth assumption, however, that we believe to be the most problematic for understanding failures to adapt.

Departures from the optimal adjustments predicted by the rational instrument model and its auxilliary assumptions are considered as irrational intrusions on an otherwise orderly process. Since the rational instrument model assumes a unitary goal or a set of hierarchically ordered and consistent goals and subunit goals consistent with those of the larger organization, conflict over goals—especially when manifested in resistance to change—is considered unnatural, counterproductive, and irrational. Throughout, the common—though usually unstated—assumption is that organizations start out as rationally designed instruments and are somehow perverted over time. Yet not all formal organizations "start out as rationally designed instruments directed toward predetermined goals specified in their charter" (Maniha and Perrow, 1965), and certainly the ubiquitous character of intraorganizational conflict suggests that it is far from unnatural.

3.2 Determinants of Behavior

Because of its focus on the information gathering and processing aspects of decision-making, the rational instrument model tends to relegate to the status of given or assumed that decisions once made are self-executing or at least do not face any serious obstructions, an approach consistent with Simon's (1985) definition of "substantive rationality."

The term "rational behavior" denotes behavior that is appropriate to specified goals in the context of a given situation. If the characteristics of the choosing organism are ignored, and we consider only those constraints that arise from the external situation, then we speak of substantive or objective rationality, that is, behavior that can be adjusted objectively to be optimally adapted to the situation. (294)

Although Simon was referring to cognitive limitations, in this case, the characteristic of the choosing organism which is ignored is the capability to carry out the alternatives selected. However, behavior cannot result simply from a correct perception of the appropriate behavior under the circumstances faced. It is also a function of motivation to behave. Yet motivation is still insufficient for behavior to occur. For behavior to occur, there must be perception, motivation, and the ability or capacity to behave: the power to act in a particular way. (Thomas, 1970. Thus, merely sensing correctly the changes in the organization's environment and devising the
appropriate responses (while problematic in themselves) are insufficient to produce the changes. The power to carry them out must also be present, especially if they involve gaining the support or acceptance of other individuals as is the case for any reorganization or restructuring of an organization. Wildavsky's (1972) comments on evaluation are applicable here:

Evaluation and organization may be contradictory terms. Organizational structure implies stability while the process of evaluation suggests change. Organization generates commitment while evaluation inculcates skepticism. (510)

But despite frequent criticisms and findings of no association between organizational adaptation and the introduction of purposeful change in organizations (Terreberry, 1968), the rational instrument model of organization has by no means been abandoned. The dependence of strategy and environment departments in business schools on the concept of strategic choice makes quite clear that it remains alive and well:

The concept of strategic choice stands squarely in the tradition of the rational selection model, position that variation and selection are simultaneous processes dependent upon decisions made by organization participants. Variation involves a rational search for alternative goals and methods of obtaining goals, while selectivity is inherent in participants' choosing between the various alternatives. (Aldrich, 1979, 133)

Propositions

3.21 After a decision has been made, behavior can take place only when the actor is also motivated to perform the behavior and possesses the ability to perform the behavior.

4.0 The Political Coalition Model

Both the population ecology and rational instrument approaches to organizational adaptation treat organizations as elementary, internally non-conflictual elements within another conflict system. However, the rational instrument and political coalition models share a common interest in the internal processes of organizations as they relate to adaptation. Beyond this similarity, however, they part company.

In his seminal article on the business firm as political coalition, March (1962) noted that in order to speak of any organization or system as an actor, some mode of internal conflict resolution must be introduced. The rational actor model imputes a superordinate goal in terms of which conflict can be mediated, while the political coalition model posits a process for reaching decisions without explicit comparisons of utilities. (March, 1962.
To some extent, the tendencies of the rational instrument model are reinforced by the research data collected, especially that based on personal interviews or survey instruments, because

the perceptions of those within the organization, even those knowledgeable and well placed, are not inevitably reliable in terms of portraying the extent to which a political process is operating. There are normative and value considerations, which also involve the maintenance of the respondent's self-identity and self-respect, which bias perception toward finding rationality, objectivity, and a lack of political activity. (Pfeffer, 1981, 238)

Furthermore, as Pfeffer (1981) has observed, the political science literature on coalitions has developed almost exclusively in two areas: the study of voting blocs or coalitions in legislative bodies, and the study of coalition formation in small group experiments. The characteristics of neither area are closely analogous to those of large scale formal organizations, in terms of unit of action, level of socialization, strength of control, etc., thus making it difficult to borrow from those better developed theoretical and empirical areas.

Still, the political coalition model of organization offers valuable insights into behavior in and by formal organizations. (Pondy, 1967) It suggests that a bargaining process takes place by which the composition and general terms of the coalition are fixed—typically through side payments. Objectives of the coalition are stabilized and elaborated through internal processes of control such as budgetary allocations and the distribution of functions and discretion. (Cyert and March, 1963) And, if Thompson and McEwen (1958) are correct, goal setting is "essentially a problem of defining desired relationships between an organization and its environment, change in either requires review and perhaps alteration of goals." (23. Thus, environmental changes, if they do not necessitate goal alteration, at least provide the opportunity for such activity to occur.

From this perspective, organizational structure and processes result as much from the politics of the organization as they do from efforts at problem-solving which treat the organization as a rational instrument. "The structural framework is not some abstract chart, but one of the crucial instruments by which groups perpetuate their power in organizations.. (Ranson, Hinings, and Greenwood, 1980) Put more strongly, the design of an organization, its structure, is first and foremost the system of control and authority by which the organization is governed. (Pfeffer, 1981) Any alteration of the structure, whether intended for that purpose or not, will shift the balance of power within the affected organization.

Following March (1962), the basic outline of a process oriented political theory of conflict resolution in
organizations looks like this:

a) There are various interest groups in the organization
b) The various interest groups make demands on the organization
c) Decisions within the organization on resource allocations are made by coalitions of interest groups
d) Each potential coalition has a certain potential control over the organization (671)

In order to develop a more formal political coalition model of organizational adaptation to environmental change we first consider various relevant aspects of other theoretical contributions: inducements and membership, organizational differentiation, power, and dimensions of organization environments. At the end of each subsection we summarize the propositions derived from that particular area which are to be used to build the political coalition model.

4.1 Inducements and Organization Membership

Large scale formal organizations must recruit members to perform the roles essential to the achievement of their goals, but in so doing necessarily alter those goals. Somehow, the organization must obtain an individual's willingness to contribute, because, as Barnard observed,

The preponderance of persons in a modern society always lies on the negative side with reference to any particular existing or potential organization. Thus of the potential contributors only a small minority have a positive willingness. (1958, 84)

Willingness to contribute to an organization is based upon the "net satisfactions or dissatisfactions experienced or anticipated by each individual in comparison with alternate opportunities" (Barnard, 1958, 85), since membership in the organization is voluntary and the individual may choose to exit the organization at any time. (Hirschman, 1972) Measurement of this net result is entirely "individual, personal, and subjective. Hence, organizations depend entirely upon the motives of individuals and the inducements which satisfy them." (Barnard, 1958, 86)

Organizations secure the contributions necessary for their existence by providing inducements or by changing states of mind through persuasion. Given the problem at hand, it is the former and not the latter that interests us. There are two classes of inducements: those specific to individuals and those nondivisible and gen-
eral incentives. (Barnard, 1958, 142) Again, it is the former class which concerns us here. According to Barnard, among specific inducements there are

1) Material incentives
2) Desirable physical conditions
3) Associational attractiveness
4) The condition of communion/solidarity
5) Ideal benefactions—pride of workmanship, etc.
6) Adaptation of conditions to habitual methods and attitudes
7) Personal non-material opportunities, such as distinction prestige, power, dominance
8) Opportunity for enlarged participation (1958, 142-149)

The last two forms of specific personal inducements are directly relevant to organizational adaptation. March (1962) notes also that potential participants make demands "partly in the form of payments commonly assumed in economic theories (e.g. money) but they are also partly in the form of demands for policy commitments..." (673). Ironically, in order to obtain the contributions necessary to achieve a set of goals, an organization must make policy commitments which may be tangential to or which modify those original goals. To this list of inducements we add discretion in executing the requirements of whatever role the individual was recruited for.

Propositions

4.10 Few people in society are positively disposed to contribute to any given organization.
4.11 Membership in large scale formal organizations is voluntary.
4.12 Organizations must induce members to contribute needed services.
4.13 Inducements including participation, power, discretion, and policy commitments frequently outweigh in importance pecuniary rewards and other forms of inducements.
4.14 Policy commitments as inducements may require the modification of existing organization goals.

4.2 Differentiation

Large scale formal organizations are created to accomplish tasks impossible for individuals or small
groups by themselves, their principal virtue being that they permit the advantages of coordinated specialization and division of labor. Furthermore, organizations have continued to grow in size, where size is conceptualized as the scope of an organization and its responsibilities along with its number of employees. (Blau, 1972) One consequence of increased size is increased differentiation of the organization, because formal organizations cope with the difficult problems large-scale operations create by subdividing responsibilities in numerous ways thereby facilitating the work of any operating employee, manager, and subunit in the organization. (Blau, 1970, 203)

Differentiation refers specifically to the number of structural components that are formally distinguished in terms of any one criterion, where

A dimension of differentiation is any criterion on the basis of which the members of an organization are formally divided into position, as illustrated by the division of labor; or into ranks, notably managerial levels; or into subunits, such as local branches, headquarters divisions, or sections within branches or divisions. (Blau, 1970, 203)

Among other things, Blau concluded that

a) Large size promotes structural differentiation
b) Large size promotes differentiation along several different lines
c) The rate of differentiation declines with expanding size
d) The subunits into which an organization is differentiated become internally differentiated in a parallel manner (1970, 204)

Aside from the intended consequences of improved problem-solving and operational efficiency, several unintended consequences follow from the differentiation of organizations:

a) Differences in interest among the subunits
b) Differences in perception and bias among the subunits
c) At that distribution of power among the subunits

Differences in interest may derive from interpersonal differences or through the presence of several professions within any one organization. (Grusky, 1959; Thompson, 1959; Zald, 1962) However, it is the effects of characteristics more or less common to all formal organizations that concern us here. (Simon, 1964) The factors producing inter-unit conflict include mutual task dependence (tightly as opposed to loosely coupled), task related asymmetries, performance criteria and rewards, and role dissatisfaction.
Furthermore, all organizational subunits seek to improve their own position at the expense of other subunits, and even at the expense of the larger organization’s welfare. (Stagner, 1968) For example, University department heads all pursue the goal of effectiveness, but each thinks that this goal would be best served by the allocation of additional funds to his or her department to hire new faculty, support graduate students, or embark on new research projects. (Aldrich, 1979, 91-92)

However, consistent with the rational actor model, but with the focus on internal differences in the organization, we assume that all members of the organization act in a boundedly rational way. (Simon, 1958; e.g., within their cognitive limits, subunits seek their own self-interest.

With a variety of interests and with each subunit pursuing its own, under conditions of limited resources the organization is subject to internal conflict. (Grusky, 1959; Thompson, 1959; Zald, 1962; Goldner, 1970; Aldrich, 1979) Following Thompson, conflict is defined here "simply as that behavior by organization members expended in opposition to other members." (1959, 390)

Effects of the pursuit of subunit self-interest are increased by differences in perception related to the particular specialization of each subunit. "Cognitive and motivational differences mingle in the selective process." (Dearborn and Simon, 1958, 142; Perrow, 1970; Aldrich, 1979) Such differences are marked by selective attention, perception, and retention. In a survey of decisionmaking factors named most important, Dearborn and Simon found it easy to conjecture why the public relations, industrial relations, and medical executives should all have mentioned some aspect of human relations, and why the two legal department executives should have mentioned the board of directors. (142)

The result is that each subunit perceives the aspects of a situation that relate specifically to its own activities and goals. (Dearborn and Simon, 1958, 143; Aldrich, 1979) Selectiveness does not stop with perception; the specific character of a solution generated for a problem depends on where the problem arose in the organization. (Simon, 1964)

Thus, while the rational instrument model considers the organization as a basic unit with a consistent preference ordering over the possible states of the system, and "suppresses as outside its domain the process by which an organization composed of a rather complex mixture of people with considerable heterogeneity of personal goals generates a single preference ordering" (March, 1962, 663, 669), we argue
that the organization is itself a system of conflict without consistent preferences or a single set of superor-
dinate goals. A principal problem is to create that preference ordering.

Finally, the fact of operationally interdependent subunits which also compete for the same limited
organizational resources creates the potential for differences in intraorganizational power:
created by the division of labor and departmentalization that characterize the specific organ-
ization or organization set being investigated. (Pfeffer, 1981, 4) With a large number of
subunits in an organization, it is highly unlikely that they will be equally powerful. (Perrow,
1970) We turn now to consider briefly the general character of power and its bases and
manifestations within formal organizations.

Propositions

4.20 Large scale formal organizations are differentiated into specialized subunits.

4.21 Differentiation creates differences in perception among organizational subunits.

4.22 Differentiation creates differences in interest among organizational subunits.

4.23 Organizational subunits pursue their own perceived self interest.

4.24 Organizational subunits are interdependent with one another.

4.25 Organizational resources are limited.

4.26 Organizational subunits are typically in conflict with one another over a) goals, and b) resources.

4.27 Differentiation and interdependence create the potential for differences in power among organiza-
tional subunits.

4.3 Power

Following Dahl (1957), "A has power over B to the extent that he can get B to do something that B
would not otherwise do." (202-203) Thus, power is considered as a relation, a relation among people or
organizational subunits. Dahl describes several properties of the power relation:

1) there exists a time lag, however small, from the action of the actor who is said to exert power to the
responses of the respondent.

2) There is no action at a distance; unless there is some connection between A and B then no power can
be said to exist.

3) The amount of power is the increase in the probability that B will perform some action after A's
action, relative to the probability that B would have performed that action anyway. (1957, 204-205)
We need also consider the descriptive characteristics of power as it is applied to an analysis of a political system, in this case that of a formal organization. Our main problem is not to determine the existence of power, but to make comparisons of who has more power and who has less. Thus, we are concerned with the bases of power (Dahl, 1957), its distribution in the system; the scope of control that different actors (subunits) have or are subject to (where scope is defined as the area in which power applies since power need not be general; it may be specialized); the domain of control that different actors have or are subject to (defined as power over how many and what kinds of actors (subunits)). (Dahl, 1968, 407-408)

Although various factors form the bases of intraorganizational power, among them formal hierarchical position (e.g., legitimacy with normative weight behind it), interpersonal skills and charisma, a loyal following, etc., we focus here on differences in dependence of one organizational subunit on another. The more one subunit depends upon another subunit relative to that second subunit's dependence on the first, the more powerful is the second subunit. Thus, for any organization at any given point in time a distribution of power will obtain based upon the relative dependence of each subunit on the other subunits. Sources of dependence are considered in Section 4.4.

Intraorganizational power of any subunit is inversely related with the substitutability of whatever it provides for the other subunits, where substitutability is the "ability of the organization to obtain alternate performance for the activities of a subunit." (Hinings, et al., 1974, 26) Subunit power is positively correlated with two aspects of centrality: pervasiveness, the "degree to which the workflows of a subunit are linked to the work flows of other subunits," and immediacy, the "speed and severity with which the workflow of a subunit affects the final outputs of the organization." (Hinings, et al., 1974, 26-27)

Only a combination of high values on all of the variables postulated gave dominant first-rank power. With this combination, the activities of of a subunit become contingencies for other subunits, upon which they are critically dependent....What it does has immediate consequences for the ultimate common outputs; the other subunits cannot look elsewhere for alternatives; and most of what they do is linked to what it does. (Hinings, et al., 1974, 40)

A contingency is defined as "a requirement of the activities of one subunit that is affected by the activities of another subunit" (Hinings, et al., 1974, 40), e.g., dependence.

B's ability to perform some desired behavior depends upon the cooperation of A. To the extent that
B depends on A, A has power over B and thus the ability to modify the original behavior B intended to perform. A not only affects the ability of B to perform a desired behavior, but the actual character of that behavior as well. A powerful subunit will be able to make demands on the other subunits in the form of altered decision premises which will lead to a redistribution of organizational resources.

Further, we follow a model which suggests various coalitions of interests groups within an organization pitted against each other instead of simply one interest group against another for several reasons. Typically, no single subunit/interest group within an organization is assumed to have sufficient power to dominate. Weaker interest groups will be motivated to ally themselves with stronger interest groups as a way of enhancing their power position within the organization. (Thompson, 1967; Pfeffer, 1981)

Interest groups will be able to form coalitions because they can find sufficient common interests to be benefitted by such an alliance. The most powerful coalition of interest groups at any point in time within a particular organization is referred to as the dominant coalition. (Thompson, 1967)

Propositions

4.30 Intraorganizational power is a function of the relative dependence of one subunit upon another; the more dependent a subunit is upon any another the less powerful it is relative to that subunit.

4.31 A subunit's power increases with the centrality of its activities to those of the other subunits.

4.32 A subunit's power increases as it approaches a monopoly of the services it provides for the other subunits.

4.33 Any organization can be described by a distribution of power among its subunits.

4.34 The more powerful any subunit is relative to the other subunits, the more demands (in the form of inducements) it can make in return for the provision of its services to the rest of the organization.

4.35 Usually, no single subunit will be powerful enough to dominate an organization and will seek to form a coalition with other subunits.

4.36 Weaker subunits will seek to ally themselves with more powerful subunits.

4.37 The most powerful subunits in an organization form a dominant coalition.

4.4 Dimensions of Organization Environments

That formal organizations are embedded in environments and are most accurately treated as open
systems in constant exchange with those environments is now well accepted in the organizational literature (although one wonders why such acceptance was so long in coming after Darwin and the spread of the biological metaphor). The particular environmental characteristics relevant to the study of formal organizations and the specific ways in which those characteristics affect organizations do not yet enjoy the same consensus.

Although one student of organization has defined environment as "the totality of physical and social factors that are taken directly into consideration in the decision-making behavior of individuals in the organization" (Duncan, 1972, 314), others have narrowed down the term. Task environment includes those parts of the environment that are not indifferent to the organization. (Thompson, 1959) Consistent with that approach, Evan (1967) has described the environment as an "organization-set" (analogous to a role-set) consisting of the network of organizations surrounding an organization. But not all organizations are relevant to the analysis of any given focal organization: it is more closely linked to some organizations than to others. For example, customers and suppliers as well as its competitors are linked more closely with the focal organization than are other organizations. (Dess and Beard, 1984) That leaves the question of how an organization is linked with the other organizations in its environment.

Two principal perspectives on the general character of what is exchanged between the organization and its task environment can be identified (Aldrich, 1976; Aldrich and Mindlin, 1976; Aldrich and Pfeffer, 1979):

a) As a flow of information perceived by organization members at the organization boundaries (Dill, 1958; Emery and Trist, 1965; Duncan, 1972; Thompson, 1967; Weick, 1976)

b) As resources available, ignoring the process by which information is apprehended by organization decisionmakers (Pfeffer, 1973; Aiken and Hage, 1968; Jacobs, 1974; White, 1974)

The information perspective emphasizes uncertainty facing the organization as the central problem to be solved. Uncertainty has been defined as a "lack of information about future events, so that alternatives and their outcomes are unpredictable. (Hickson, et al., 1971, 219) Presumably events refer to actions by other organizations. As Aldrich (1979) has pointed out there has been a serious problem finding validated measures of environmental uncertainty. The scales used by the off cited study of Lawrence and Lorsch (1967) had unacceptable reliability levels. (Aldrich, 1979, 129)
The resource perspective directs attention to dependence, defined in terms of the bargaining position of the focal organization with respect to interacting organizations. (Aldrich and Pfeffer, 1976) Here, resources are understood to include human activity, power and influence, reputation, money, and knowledge. (Aldrich, 1979).

What remains essential to each approach, whether uncertainty or resource dependence, is the idea of "threat" to the organization. Here, "threat" is understood to mean something which threatens, e.g., "to be likely to injure; to be a source of danger to; to endanger actively." (Oxford English Dictionary) Neither uncertainty nor dependence is alone sufficient to distinguish relevant from irrelevant environmental factors. The idea of threat is simpler and to the point. Whether or not a resource is highly important to an organization depends not only on its centrality to that organization's activities, but on the continued probability of its availability. Similarly, a factor in an organization's environment whose future behavior is not easily predicted must also be threatening in order for it to assume critical importance for the organization.

In both resource dependence and uncertainty perspectives on organization-environment linkages, intraorganizational power of subunits is directly dependent upon their ability to cope (Thompson, 1967) with either uncertainty or particular resource dependencies. In an analogous manner, subunits which cope effectively with the most important threats facing the organization will possess more intraorganizational power than other subunits. Coping involves simply the ability to handle threats in a manner satisfactory to the dominant coalition of the organization, including minimizing, absorbing, or buffering the threat; it does not necessarily require eliminating the threat.

What kinds of threats are organizations subject to from their environments. Threats involve actions by members of the organization including, but not restricted to,

a) entry of other organizations into competition (direct or indirect) with the focal organization
b) changes in interest or pressure from clientele groups, including the withdrawal of support
c) increased oversight activities by legislative bodies
d) problems with funding: loss thereof, decreases, or steady-state
e) technological or administrative innovations by other organizations which render the focal organization obsolete or disrupt its competitive position.

Which threats groups in the organization are most sensitive to are largely determined by interaction between their goals and factors in the environment (Thompson and McEwen, 1958), e.g., the severity of the threat in combination with its centrality to the organization.

We further assume that the environment is always changing, albeit at greater or lesser rates affecting larger or smaller portions of it. However, we do not include the effects of such variations in change in the model; it is designed to hold across all types of environmental change. As the environment changes the relative importance of different threats changes. The net effect is to alter the relative power of groups within the organization, since their power is based on the ability to cope with the threats most important to the organization.

Change in the groups which are able to dominate in the organization results: the composition of the "dominant coalition" shifts. (Thompson, 1967. Further, the greater the variety of threats the organization faces the larger is the dominant coalition is likely to be. Insofar as the groups ascending in power hold values different than those already within the dominant coalition some sort of conflict will ensue. "Resistance to change and the active development of countervailing forces to combat it occur when an environmental or organizational element does not have the same value.. (Hrebiniak, 1978) As ascending groups gain control, organization structure and processes are likely to change to reflect their new priorities and their efforts to control other groups in the organization. (Perrow, 1961) These processes are represented schematically in Figure 2.

As indicated above, the groups recruited into the dominant coalition in order to meet the threats faced by its existing membership, bring with them the basis for an alteration of not only organizational processes (e.g., adaptation) but the strong potential for changing the organization's goals. Altered goals and the accompanying reallocation of organizational resources is one price such groups will extract from the existing dominant coalition for their participation.
Figure 2
Political Coalition Model of Organizational Response to Environmental Change
Propositions

4.40 The environment of an organization is comprised of the organizations with which it must interact in order to reach its goals.

4.41 The most important organizations in the focal organization's environment are those which threaten the interests of the subunits making up the dominant coalition.

4.42 The power of any given organizational subunit depends upon its ability to cope with threats from the environment considered important by subunits in the dominant coalition.

4.43 The greater the variety of threats from the environment, the larger will be the dominant coalition.

4.44 The character of threats from the environment is always changing, albeit at greater or lesser rates.

4.45 As the character of threats from the environment changes, the internal distribution of power among subunits will also change.

4.46 As the internal distribution of power among subunits changes, new subunits will enter the dominant coalition.

4.47 As new subunits enter the dominant coalition, their policy demands will alter the goal structure of the organization.

4.48 During and shortly after the shift in threats from the environment, the dominant coalition will expand in size, and then decrease as newly disadvantaged subunits are no longer able to maintain their position and are eventually replaced by new subunits.

4.49 Adaptations to changes in environmental threats take place after the accession of new subunits to the dominant coalition.

5.0 Coalitions and "Departures" from Rational Adaptation

As we attempt to understand organizational adaptation to environmental change, we need to address two key questions. Do the organizational alterations resulting from group behavior in coalition processes which we have just described differ significantly from what we would expect if we used the rational instrument image of organization to predict adaptation? In other words, if we use the rational instrument image not as a description of how organizations actually do behave—but as a normative point of reference—do observed behaviors resulting from political processes depart from those expectations. If the actual changes do not differ significantly from what we would expect, are they made on a timely basis? That is, do self-interested group behaviors and conflict so slow the process of adaptation as to render it grossly ineffectual?

Thus, following Schein's model, given a particular set of goals we would expect the organization's structure and processes to be adjusted to the relevant factors in the environment. After detecting a change,
the organization would determine the optimum adjustments (or under less stringent criteria, a range of satisfactory adjustments), implement them, and then obtain feedback to make sure the adjustments are the appropriate ones.

We focus here on the peculiar obstructive role that political processes within organizations play to prevent or delay adaptations that the rational instrument image would otherwise lead us to expect. Institutionalization and goal displacement help explain motivation for avoiding organizational alterations. Cognitive and communications difficulties explain some departures from the rational instrument image.

However, we believe that the link between the power of various groups in an organization and the structural outcomes which maintain or assure their effective control of organizational activities provides a more powerful explanation of divergences from the expectations generated by the rational instrument image. If the structure of an organization is not simply a rational construction of means-ends chains, but a device for control, changes in the environment which require structural changes to maintain organizational effectiveness simultaneously and inevitably alter the power balance in the organization, and are bound to generate resistance from the current dominant coalition. Put another way, it is a particular unique combination of threats from the environment that makes possible any given coalition; any change in these is going to bring into question the coalition's foundations. (Thompson, 1967)

Ultimately, adaptation occurs because the power of groups within an organization depends on their ability to cope with the threats facing that organization. As environmental changes alter the value of such coping abilities, the relative power of groups within the organization will shift, some new groups may be added to the organization, and some groups may exit the organization. Even though we assume that groups pursue their own self-interest, they will only be able to influence organizational outcomes as long as they cope effectively with the threats it faces. As we noted above, however, other sources of intraorganizational power exist, which, if more important than the coping ability, would substantially alter the organization's ability to adapt since they are not intimately linked to environmental shifts. The political coalition model assumes that coping ability is the predominant source of power. But this is a hypothesis subject to empirical verification.

The organization changes as groups able to cope with new threats come to power. These groups need not be motivated by concern for organizational adaptation/effectiveness, but the net effect of their ascent to
power in the dominant coalition will be that the organization does adapt to environmental changes. Figure 3 illustrates the general processes of change in the dominant coalition along with additions to and subtractions to organizational membership which result from environmental changes.

Hrebiniak (1978) has made a similar argument about the motivation for innovative activity and its effects: "To preserve autonomy and power, new ideas, processes, services, or products are conceived. Behavior that is ‘selfish’ in terms of preserving the desirable characteristics of a job or units results in invention. Groups capable of coping with formerly important threats can no longer dominate the organization, its structure and processes, and are displaced by the groups with the newly valuable abilities. This process is illustrated in Figure 4.

Although the political coalition model focuses on the problems attendant to adopting or implementing adaptations, it also clarifies the process of detecting environmental changes. Since subunits are advantaged when threats they can cope with become important to the organization, they are motivated to search for environmental changes which will improve their position within the organization. Thus, even though each subunit pursues its own self-interest and selectively perceives environmental shifts, the larger organization benefits when such shifts are brought to its attention. Of course, some environmental shifts might go unnoticed initially because they do not advantage any existing subunit of the organization. In such a situation, when the change is eventually detected, new members who could cope with the newly important threat would have to be recruited. In the more extreme cases, environmental changes noticed only by those whom adjustment would disadvantage can hardly be expected to bring them to the immediate attention of others in the dominant coalition (Thompson, 1967), while subunits made powerful by abilities to cope with particular threats possess strong incentives to maintain the fiction, if not the reality, of those threats.

Reliable measures of changes in the power of units within the organization and of the dominant coalition’s composition are not yet developed. However, alterations in the allocation of budgetary and personnel resources, changes in the backgrounds of middle and top managers, e.g., promotion and advancement patterns, shifts in the membership of governing boards (Perrow, 1961; Zald, 1965; Pfeffer, 1972; Pfeffer, 1973) all appear to indicate some adjustment in the distribution of intraorganizational power and
Figure 3
Environmental Change and the Size and Composition of Dominant Coalitions
Figure 4
Links Between the Composition of the Dominant Coalition and Organization Processes and Structure

- Needs for Power and Control
- Primary Policy Goals
- Composition of Coalition
- Side Payments in Policy Commitments
- Formal Processes and Structures
- Informal Processes and Structures

A Composition of Dominant Coalition

A Primary Policy Goals

A Side Payments in Policy Commitments

A Formal Processes and Structures

A Informal Processes and Structures

A Needs for Power and Control
in some cases have been linked directly or indirectly, to changes in the organizational environment.

Insofar as the process of establishing and consolidating a new dominant coalition is a lengthy one, adaptation will likely be delayed; thus, a lag in response relative to what the rational instrument model would lead us to expect in terms of response. Furthermore, since organizations may have to commit future control over resources—in the form of appointments to formal positions—in order to gain the cooperation of those controlling essential resources for solving present contingencies, they create built-in limitations on their abilities to adapt to future changes of technologies or task environments. (Thompson, 1967) Where such changes call for "new or adjusted competence in the position, and the individual fails to match it, the organization may be crippled or required to build around that person. To the extent that he can retain jurisdiction over resources, he cannot be ignored. (J.D. Thompson, 1967) The pernicious effects of time lag should be felt most keenly by organizations in continuously and rapidly changing—or turbulent (Emery and Trist, 1965; Terreberry, 1967)—environments. In such situations the organization might well fail to catch up with one change before being confronted with the next one.

One other factor deserves consideration in our effort to understand the disparity between the expectations generated by the rational instrument model and common behaviors in the empirical domain. The rational instrument model focuses on alterations of the formal structure and processes of the organization. However, the process of coalition formation and influence typically occurs outside of formal structures (Carter, 1971; Zald and Berger, 1978) although it is clearly influenced by such structures and, as we have argued above, affects them in return. (Perrow, 1961) Adjustments of jurisdiction, power, and discretion are often made informally and only belatedly ratified by formal structural changes. Formal changes follow informal adaptation because formal changes are often too time-consuming to permit expeditious action in the face of pressing circumstances, and because it may take less internal political support to make (apparently) temporary informal changes than to make more obviously permanent formal alterations. The plain fact is that far more organizational adaptation takes place than that found by studies concentrating exclusively on formal structure. It goes unrecognized because it is not looked for.
Propositions

5.00 Subunits selectively scan the environment for threats they are able to cope with effectively, bringing them to the attention of subunits in the dominant coalition when it will enhance their power.

5.01 As new subunits join the dominant coalition and old ones leave, the mix of goals for the organization will also change, in the direction of the interests of the newly powerful subunits.

5.02 Insofar as subunits enjoy power based on factors other than coping with environmental threats, they will be able to resist changes proposed by other subunits and a time lag in adaptation will result.

5.03 Frequently organizational adaptation takes place informally and is followed by formal rearrangements of structure and processes.

5.04 In organizations where ability to cope with environmental threats outweighs other factors as a source of subunit power, the alterations resulting from self-interested actions on the part of subunits will match those predicted by a rational instrument model.

6.0 Conclusions

Can we reconcile the disparities between the view—from the rational instrument model—that large scale formal organizations regularly fail to adapt and the March view that organizations change easily and regularly. In part, the disparities in point of view derive from different expectations generated by the model of organizations employed. Each model generates its own set of expectations about process, speed, and results.

Differences in expectation result from different assumptions about the character of organizations and from attention to different parts of the process of adaptation. Each model takes as given or invariant that which the other model finds to be seriously at issue. The assumptions of the model outlined in this paper are consistent with procedural or bounded rationality, rather than the substantive or objective rationality (Simon, 1985) of the rational instrument model. The model also views the links between decision and behavior as more complicated than the rational instrument model suggests. Although the political coalition model takes into account problems of selective perception, it pays little attention to most problems of cognition. It stresses instead issues of motivation and interest, conflict, and power which affect what changes, if any, are likely to be administered once decided upon. By emphasizing constraints (imposed primarily by subunit self-interest and power) on potential changes, the political coalition model also hypothesizes bargaining processes instead of simple cost-benefit analyses as reactions to environmental change at the organization level. By treating the organization as a conflict system itself, the political coalition model makes the simplifying assumption of consistent preference orderings and boundedly rational
pursuit of self-interest by subunits. Through the concepts of environmental threat and dependence the model links environmental changes with intraorganizational power distributions.

Self-interested behavior rational for the sub-units, under most conditions irrational relative to the larger organization, ultimately contributes to the rationality of the larger organization because it can only be successful under the particular conditions when others in the organization depend upon the particular sub-unit and grant it power. This occurs when the sub-unit possesses skills permitting the organization to cope with altered environmental threats. In other words, the self interested behavior of sub-units and the appropriate organizational adjustment to change are related, but only spuriously; both are related to shifts in the environment, but not to each other.

The political coalition model predicts roughly the same types of changes—within a limited range of satisfactory "fits" to environmental shifts—as the rational instrument model leads us to expect. It hypothesizes entirely different reasons for organizational adjustments and the processes by which they are made from those which the rational instrument model suggests. The rational instrument model is relegated to the role—admirably suited to its implicit normative cast—of providing a benchmark for the purpose of evaluating the actual organizational responses to environmental change.

The political coalition model accounts for failures to adapt or delays in adaptation through variations in the bases and distribution of intraorganizational power of subunits. It does not require the inclusion of cognitive limitations or pathologies, or sociological explanations of institutionalization or goal displacement to explain adaptive difficulties. In this sense, it provides a more powerful yet simpler theory of organizational response to environmental change than the rational instrument model.
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