

Speaking with One Voice:  
A “Stanford School” Approach to Organizational Hierarchy\*

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**Abstract**

I build on Hannan and Freeman (1984), and the larger Stanford School of organizational sociology, to explain why formal organizations are hierarchical. My approach involves: (i) refining Hannan and Freeman’s argument that formal organization’s distinctive reliability and accountability give it a selective advantage; (ii) building on their suggestion that these capacities depend on a clear identity; (iii) arguing that a collectivity cannot achieve a clear identity without controlling voice-rights (the right to speak on behalf of the organization, and the right to speak publicly within an organization); and (iv) suggesting that control of voice requires control of membership and decision-rights.

## Introduction

I am honored to contribute to this volume on the Stanford Legacy, though I must admit that I am a bit sheepish about being listed as a faculty member. I was indeed on the Stanford faculty, from 1997-2001. However, the experience for me was more of a developmental one in which I learned from my colleagues, who consisted of the leading lights in the sociology of organizations and organization theory generally. This period was as formative for me as was the prior period, when I was a student in the formal sense. I find it easy to point to specific ideas that I encountered during my stay at Stanford and to trace how they shaped my perspective on key questions of social and economic organization. In the following, I will discuss one example of this personal Stanford Legacy, which builds on ideas developed at Stanford during the 1970s and 1980s to make progress on a puzzle that did not occupy center stage there and then. Nothing testifies to the value of a theory or approach than its ability to generate insight well beyond the original questions for which it was originally developed.

The puzzle that forms the focus of this essay is the question of why formal organizations tend to be hierarchical, such that certain key rights are concentrated in the hands of a small fraction of organization members, with sub-rights (the general rights as they pertain to specific functions or divisions) delegated in highly restricted ways. The puzzle as to why these key rights-- which Williamson 1975 summarizes as “fiat” and which encompass: (a) membership rights (the right to control the organization’s boundary through hiring and firing); and (b) decision rights (the right to issue orders to those lower in the hierarchy, with the expectation by all concerned that such orders are legitimate), has never occupied center stage among organizational sociologists. Perhaps this neglect is justified. Especially if one begins with Weber’s definition of bureaucracy (see Scott 2003: 43-50), formal organizations seem to be hierarchical by definition. But even if it is tautological to assert that formal organizations are hierarchical, this begs the question of *why and in what respects* this tautology holds. After all, not all social movement and labor organizations succumb to oligarchic tendencies (Lipset, Trow, and Coleman 1956; Voss and Sherman 2000; Osterman 2006) and many business firms are described as eschewing formal hierarchy, with such deviations from hierarchy often cited as being

responsible for such firms' success.<sup>1</sup> Furthermore, even organizations that look quite hierarchical “on paper” tend to feature much behavior that deviates from the formal hierarchy. As Granovetter (1985: 502) quipped, “it hardly needs repeating that observers who assume firms to be structured in fact by the official organization chart are sociological babes in the woods.”

And yet, even if formal organizations are less hierarchical (or more effective when less hierarchical) than a naïf might suppose, it still appears that all formal organizations share certain hierarchical features. Note in particular that while managers may choose not to exercise their membership or decision rights, *those rights still belong to them*. As Baker, Gibbons, and Murphy (1999: 56) stress, “subordinate decision-rights are loaned, not owned.” That is, even the most avowedly egalitarian organization only *suppresses* its rights to control membership and give orders; it cannot constitutionally give up these rights. As Perrow (1986: 129) puts it, “direct controls... always exist.” But why is this? Why are formal organizations fundamentally hierarchical?

In this brief essay, I develop an answer to this question by focusing on a third right, which is analytically distinct from membership and decision rights, and which (I contend) is invariably concentrated in the hands of a very small fraction of organization members-- i.e., the *right to speak on behalf of the organization*. I argue that the concentration of this right (as well as the right to delegate it) follows as an unrecognized implication of Hannan and Freeman's (1984) sociological theory of formal organizations, which they present (but do not really present as such) in their classic article “Structural Inertia and Organizational Change” (henceforth, HF84). In short, HF84 argue that structural inertia is a byproduct of what makes formal organizations evolutionarily adaptive-- i.e., their “accountability and reliability.” I argue that two key factors are necessary to make organizations accountable and reliable-- (a) the ability to credibly commit to outside stakeholders; and (b) the ability to converge on common routines for coordination—and each requires that the organization have a *clear identity*, to outsiders (to achieve external commitment) and/or to insiders (to provide the basis for internal

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<sup>1</sup> For examples, see Baron, Hannan, and Burton 1999 on “community,” “engineering,” and “star” models of employment; Foss 2003 and Zenger 2002 on “intenal hybrids”; Nickerson and Zenger 2004 on “consensus-based hierarchy”; Ouchi 1980 on “clan” organizations; and Williamson 1996 on “relational team” organization. And see Freeland (1996, 2001) on how the use of fiat undermines organizational effectiveness.

accountability and thereby achieve internal coordination). And insofar as a collective actor will not have a clear identity unless it is clear who can speak on its behalf, it follows that such rights will be highly concentrated, and the delegation of sub-rights (e.g., who can speak on behalf of a division) will be sharply delimited as well. Finally, just as HF84 understand inertia to be a byproduct of accountability and reliability, I argue that the more obvious hierarchical features of formal organizations (e.g., the concentration of membership rights and decision rights) can be derived from the more subtle but more basic need to concentrate voice-rights.

In what follows, I will fill in this outline a bit more. In the first section, I summarize the contribution of HF84 and distill the elements that can be applied to the current problem. In so doing, I will make the case that HF84 should be read as part of a broader Stanford-based sociological theory of the formal organization, and that it developed from engagement with other lines of thinking that were based at Stanford. I then propose a modified form of their argument, which suggests why organizations tend to concentrate their “voice rights” in a small number of hands, and then draw out the implications for the puzzle at hand. I conclude by briefly treating objections.

#### **HF84: Structural Inertia as Byproduct of Formal Organization**

To recall, the central objective of HF84 was not to propose a theory of the formal organization and it certainly was not to clarify why such organizations tend to be hierarchical. Rather, their goal was defend the main premise of organization ecology, as articulated in their classic 1977 article-- i.e., that organizations could be assumed to be “structurally inert” such that “most of the variability in organizational structures comes about through the creation of new organizations and new organizational forms and the replacement of old ones (HF84: 150).” Why might such a premise need defense? For starters, HF were clearly under the impression that this premise was not popular on The Farm. They cite both Pfeffer and Salancik’s (1978) resource dependence theory and Meyer and Rowan’s (1977; cf., DiMaggio and Powell 1983) new institutionalism as “variants .. (of) rational adaptation theory... (which propose) that organizational variability reflects designed changes in strategy and structure of individual organizations in response to environmental changes, threats, and opportunities (ibid.).” Moreover, they

see themselves as answering a challenge by March (1981), who appears to reject the assumption of structural inertia out of hand: "... it is not that organizations are rigid and inflexible, but that they are impressively imaginative (p.150)."

While Stanford-based organization theorists may not have been on the same page when it came to organizational change/inertia, it is clear that they were engaging with one another. And especially in hindsight, such engagement seems to have been highly productive. In particular, it is noteworthy that HF84 credit Scott (1981: 204) for the suggestion (which they then develop further) that structural inertia pertains to "core" features of organizations rather than peripheral ones. And HF84 argue that March's observations on organizational change are in fact compatible with their view that while organizations undergo significant change, such change is effectively "random with respect to adaptive value" (HF84: 150)." Moreover, two related and central elements of HF's approach clearly echo Meyer and Rowan (1977): the idea that technical efficiency is not the right address to seek the basis for commonly-shared features of formal organization; and (b) the emphasis on how organizations legitimize or account for their actions quite apart from what they actually do.

Yet while HF84 clearly owes much to Stanford-based influences, it is important to appreciate its signal contribution. In particular, whereas HF's landmark 1977 article was premised on the observation that organizations tend to be inert (i.e., that they change slowly relative to the pace of environmental change), HF84 make the theory more compelling by *transforming structural inertia from an axiom into a theorem*. That is, they derive structural inertia from more basic principles. They accomplish this by hoisting themselves on their own petard and addressing a challenge to their work which no one had actually raised but which, they argue convincingly, needed to be addressed: Since features of organizations should not survive for long if they are not adaptive, it follows that if organizations tend to be structurally inert, then inertia is adaptive. But why would this be? And *how* could this be, when it seems plain that organizations *should change* when they face significant environmental threats.

HF's inspired move is to suggest that while inertia itself is not adaptive, it is a *byproduct* of organizational characteristics, which are adaptive. In particular, they stress that modern society and economy favor actors that are reliable and/or accountable. By

*reliability*, they mean the “capacity to generate collective actions with small variance in quality (HF84: 153).” And they argue that while “from the perspective of the performance of a single, complex collective action, it is not obvious that a permanent organization has any technical advantage (ibid.),” it is the “distinctive competence of (permanent, formal) organization” that it is highly reliable in the above sense. By *accountability*, they mean the ability “to document how resources have been used and ... reconstruct the sequences of... decisions” to show that “appropriate rules and procedures” were followed (ibid.). And as did Meyer and Rowan (1977), HF84 observe the spread of “general norms of rationality in the modern world,” which increase the demand for accountable actors in the above sense. Finally, since the organizational features necessary to produce reliability and accountability also produce structural inertia as a byproduct, it follows that organizations will tend to be structurally inert. HF84 summarize these features as “reproducibility,” which they define as satisfaction of the imperative that “structures of roles, authority, and communication must be... very nearly the same today [as] yesterday (p.154).” Figure 1 is a sketch of their argument.

#### FIGURE 1 ABOUT HERE

It is worth underlining two key features of HF’s approach. First, while their goal was the perhaps modest one of justifying the assumption of structural inertia (by turning it into a theorem derived from the more primitive axiom of selectivity), they developed a sociological theory of the formal organization, one that is clearly compatible with other Stanford-based approaches, particularly the institutionalism of Meyer and Rowan (1977).<sup>2</sup> Second, the form of their argument, whereby common features of formal organizations (and entities generally) are explained not as adaptive in themselves but as

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<sup>2</sup> It seems an important task, though outside the scope of this essay, to compare the empirical implications of this theory with existing theories of the “firm” (i.e., market-oriented organization). One possible implication (based on the modified version of the theory, presented in the next section) is that insofar as firms are more likely to incorporate transactions when they involve specific investments or assets (cf., Williamson 1996; Hart 1995), the reason is less the bargaining power that is conferred upon the actor who owns the specialized asset than the fact that outsourcing such assets makes it less clear, both to insiders and outsiders, where the boundaries of the firm lie. And this in turn hinders internal coordination and the capacity to project accountability to external audiences. More generally, this perspective shifts our attention away from the parties to a transaction and directs it to the third-parties (other organizational members; outside stakeholders such as customers and investors) who seek to interpret the transaction in order to decide how they will interact with those parties. See Freeland (2009) for a line of argument consistent with this implication.

*byproducts* of adaptive features, represents a useful model that can be applied to other problems.

In what follows, I build on each of these features to make some progress on the question of why formal organizations are hierarchical. In particular, I follow the basic form of HF84's argument, albeit while suggesting that we recast the organizational characteristics that make organizations reliable and accountable. I then sketch how this modified version of HF84's framework suggests that: (a) in order to be reliable and accountable (and thereby enhance selectivity), formal organizations must concentrate the right to speak on behalf of the organization; and (b) the need to concentrate "voice rights" creates, as a byproduct, a need to concentrate control of membership and decision rights.

### **Clear Identity as Precondition for Reproducibility**

As depicted at the right of figure 2, my first modification of HF84's model is to distinguish reliability from (external) accountability as distinctive criteria for selection. The main reason for doing so is to highlight the fact that they solve different problems. Reliability is demanded of an actor when those who turn to that actor for goods or services seek to minimize their risk of a bad draw. Such "audiences" will place a premium on actors who can consistently meet a quality threshold. The preference for accountable actors is related to the demand for reliability but is distinct from it. To paraphrase March (1994), the issue is one of "appropriateness" rather than "consequences." If performance always reached the desired threshold, there would be no reason for the audience to question the procedures that were followed. But even a highly reliable actor may sometimes fail to reach such a threshold. Moreover, in many cases, performance criteria are ambiguous or are subject to change *ex post* by those who review the audience's decisions. Under such conditions, it is useful to be able to "take cover" in the appropriateness of the procedures followed. To be sure, appropriate procedures are not random with respect to consequences. Rather, these procedures seem appropriate because they are the reasonable, most accepted ways of generating the desired performance-- even if they often do not work for the specific task.

FIGURE 2 ABOUT HERE

The second reason for distinguishing reliability from accountability in this way is that we can more clearly see that “reproducibility” addresses two related but distinct organizational challenges, which are distinguished in figure 2: (a) to coordinate action among employees in such a way as to generate reliable (high) performance; and (b) to commit the organization to following reasonable procedures. While this first challenge is evident to anyone who has ever tried to “herd cats,” the second challenge is perhaps more subtle. It can be stated as follows: insofar as actors will be preferred when they can “document how resources have been used and ... show that “appropriate rules and procedures” have been followed (HF84: 153), this raises the question as to how an audience will know *ex ante* that the organization will be accountable in this fashion *ex post*. To address this issue, the actor must take steps to *commit* itself, in the Schelling (1960; cf., Becker 1961; Selznick 1957) sense of making it more costly to act “inappropriately.” That is, outsiders can count on an actor to follow appropriate procedures when we see that it would be more costly for it to act inappropriately (see King, Felin, and Whetten 2009: 8-12).

What is then about formal organizations, as distinct from (sets of) actor(s) that are not formal organizations, which allows them to coordinate internally sufficiently well to perform reliably? And what allows them to commit themselves to acting appropriately? HF84 do not address these questions directly, but they provide a critical lead when they distinguish between the organizational core and periphery and suggest why core elements are so difficult to change:

Universities, for example, are constantly changing the textbooks used for instruction. They do so in an adaptive way, keeping up with the constantly evolving knowledge bases of their various fields. Persuading a university faculty to abandon liberal arts for the sake of vocational training is something else again. Why would the university's curriculum be so difficult to change? A number of answers come quickly to mind. The *curriculum embodies the university's identity* with reference both to the broader society and to its participants (i.e., faculty, students, staff, administration, alumni). The kinds of courses offered and the frequency with which they are offered serve as a statement of purpose... (p.155; italics added)

Thus, HF84 suggest that an organization’s identity is at the heart of its capacity for reproduction (via internal coordination and external commitment), and this thereby

increases its survival prospects (via greater reliability and accountability) and correlatively, its structural inertia. But what is an organizational identity and how does it help the organization achieve such feats?

Following Zuckerman (2009), we may define identity as *consistent placement*, where such placements (Stone 1962) pertain both to extension (i.e., how much space does the entity take up?) and location (where is it relative to other entities?), and where such consistency pertains both to its stability over time and agreement among observers (including but not limited to the subject of that identity). HF84 suggest two sets of observers: internal members (e.g., employees) and external stakeholders (e.g., customers, investors). That is, it is useful to distinguish between an organization's internal identity and its external identity (e.g., Bouchikhi and Kimberly 2003; Tripsas 2009; cf., Dutton, Dukerich, and Harquail 1994), which may be sharply decoupled from one another (Meyer and Rowan 1977). Of course, it is possible for either insiders or outsiders to be utterly confused (individually and/or collectively) as to how to place the organization relative to others (e.g., Gioia and Thomas 1994; Tripsas 2009). And clearly, such confusion is highly problematic.

Indeed, if observers disagree as to the boundaries of an organization and how it should be placed relative to others (Is it a church, a synagogue, or a mosque? Does it sell high-end or low-end products?), they will not be able to decide which actions to attribute to the organization and how to judge whether such actions are appropriate. In this basic sense then, a clear identity is a precondition for external commitment. And both the strength of such commitment and the clarity of the organization's identity are increasing in the extent to which the actor has sunk investments in that identity-- e.g., in a distinctive logo and marketing materials; in equipment that can be used to produce one product but not others. As Selznick (1957: 40) writes concerning the foundations of organizational "character" (which he characterizes as involving "a distinct identity" and is the basis for its "distinctive competence"):

A great deal of management practice, as in the hiring of personnel, may be viewed as an effort to hold down the number of irreversible decisions that must be made. On the other hand, a wise management will readily limit its own freedom, accepting irreversible commitments, when the basic values of the organization

and its direction are at stake. The acceptance of irreversible commitments is the process by which the character of the organization is set.<sup>3</sup>

A clear identity in the eyes of external observers, which is constructed via such irreversible commitments, is thus the basis for external accountability.

But if a clear identity seems necessary for achieving external accountability, its importance for achieving reliability is less obvious. Indeed, it is instructive to note what HF84 *do not say* when discussing how organizations are able to (coordinate internally and thus) achieve reliability: they do not reference the most obvious instrument for such coordination: fiat. Rather, they draw on the lessons of the Carnegie School (March and Simon 1958; Cyert and March 1963; Nelson and Winter 1982) to suggest that internal coordination is achieved via convergence on a set of *roles* that organization members occupy and a set of *routines* for managing communication and exchanges among roles. HF84's lack of emphasis on fiat reflects a broad theme in organizational sociology, which has long noticed the weakness or absence of direct control in organizations and expressed skepticism regarding its effectiveness (on the latter, see especially Freeland 1996, 2001). As Perrow (1986: 128) stresses (in his review of the work of March and Simon), "the vast proportion of the activity in organizations goes on without personal directives and supervision-- and even without written rules-- and sometimes in permitted violation of the rules." Moreover, he argues that "unobtrusive controls," which are rooted in a shared "premises" or a common "definition of the situation" (March and Simon 1958; cf., Thomas and Thomas 1928; Merton 1995), can be highly effective in coordinating action and are superior to "direct controls" in that the latter are more "expensive and reactive." Selznick (1957) echoes these observations. He agrees with Kaufman that internal

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<sup>3</sup> It is noteworthy that while Selznick's concept of distinctive competence had much influence on the resource-based view of the firm (RBV) that emerged in the mid-1980s (see e.g., Snow and Hrebiniak 1980; Henderson and Cockburn 1994), HF84 use this term in a different way than did Selznick—i.e., as the *distinctive level of reliability that formal organizations as a class are able to achieve* rather than a set of *distinctive set of actions that a particular organization is able to achieve*. It is also worth noting that while Hannan and Freeman's argument that organizations are structurally inert was highly controversial at the time, it is now basic to the RBV that any organizational competence/capability implies a corresponding inability to (change so as to) succeed at other tasks (e.g., Leonard-Barton 1992). This too harkens back to Selznick, who wrote that "Perhaps the most obvious indicator of organizational character as a palpable reality is the abandonment of old organizations and the creation of new ones when changes in general orientation are required (1957: 41)." Note finally that this implies that one does not need HF84 to explain why organizations are structurally inert. Yet it is still an insightful framework for explaining the selective advantage of formal organizations and it can therefore be used for the current investigation of why formal organizations are hierarchical.

coordination (“unity” or “conformity of action”) can be achieved in one of two ways: (a) by requiring that “the members... take all matters to a central point for a decision”; or (b) “by "carefully instill(ing) in the minds of its members an *identity of outlook*, a sameness of objectives, a sense of mutual obligation and of common identification and common values (Kaufman 1950 [p.226], quoted in Selznick 1957: 114; italics added).” However, he stresses that the former, fiat-based approach, “may well yield (less) flexible and efficient types of decision-making” with a lower capacity for “discretion in the application of policies to special circumstances (Selznick 1957: 114).” In sum, while formal organizations *can* achieve coordination via fiat, most coordination is achieved without the use of direct controls, and this is as it should be since direct controls are blunt instruments.

Moreover, Kaufman’s notion of an “identity of outlook” suggests how a clear internal identity facilitates coordination even in the absence of direct controls. Insofar as all members have the same view of the boundaries of the organization and how it is (or should eventually be) placed relative to other organizations, much coordination can be achieved without need for fiat or even explicit discussion of the organization’s purpose. Note finally that the achievement of such an identity of outlook is considerably easier than is suggested by received organization theory. The emphasis in such theory has largely been on recruitment and socialization processes, which are designed to develop a cadre of personnel that have similar views of the world (e.g., March 1991; Harrison and Carroll 2006; Perrow 1986: 127-128). But there are obvious limits to such processes (e.g., Wrong 1961) and clear downsides to having all organization members believe the same things (such conformity would limit the variation that facilitates innovation).

The good news then is that everyone need not actually have the same outlook in order for them to act as if they do. Coordination does not occur on the basis of private (or “first order”; Ridgeway and Correll 2006) beliefs-- after all, how can we ever know what others really believe?, Rather, the foundation of coordination is *common knowledge* (“third-order beliefs”)-- i.e., what ‘everyone’ knows about what ‘everyone knows’ (see especially Chwe 2001). For example, while faculty members may vary considerably in how they think about the university (e.g., Do we really need this or that department?), they will suppress such beliefs (and thereby convey the false impression they endorse

common knowledge) as long as they believe that they are in the minority and they depend on the majority for resources. This last stipulation, that organization members will deviate from common knowledge if they feel sufficiently independent, suggests why we do see gadflies among the tenured faculty of universities. But it also suggests why the administration is of universities, and employees of organizations generally, often *act as if* they share the same views even when they do not. In particular, the heart of “unobtrusive control” (Perrow 1986) is *internal* accountability-- the expectation by organizational members that their actions will be reviewed according to their appropriateness. As with external accountability, the reason appropriateness matters is because performance is highly ambiguous and difficult to anticipate *ex ante*. And so, organizational members “take cover” by following convention. We keep department x because everyone knows that we are a university of type X and all such universities have such a department—even when many, if not most, faculty privately believe that the department could be removed with little loss.<sup>4</sup>

### **Why a Voice Hierarchy**

To this point, we have developed HF84 to suggest how a clear identity is the basis for the formal organization’s achievement of reliability and accountability, and how these may be achieved without resort to direct controls. But how do insiders or outsiders ever come to any level of agreement as to what any organization “is”? Indeed, given the fact that a large organization encompasses many human beings, with heterogeneous appearance, skills, personalities, etc., and perhaps especially given the fact that outside observers are free to place an organization in any way they like, it is astounding that any organization can attain a relatively clear identity. Perhaps even more remarkable, it seems that that the most consistent identities are those attributed to formal organizations rather than individuals.<sup>5</sup> For example, while it is often unclear whether an individual who stands accused of a war crime is the “same person” as the individual who perpetrated the crimes (e.g., was Ivan Demjanjuk “Ivan the Terrible” of Treblinka, another “terrible Ivan” who

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<sup>4</sup> Bob Freeland points out (private communication) that such dissembling may support a minimal level of effort at coordination (“perfunctory performance”), but that high levels of effort (“consummate performance”) require that members internalize organizational myths and strongly identify with them.

<sup>5</sup> Organizations are also the bases for the least *consistent* identities (e.g., the American Can Corporation “became” Citigroup through a series of mergers).

committed atrocities at Sobibor, or just John Demjanjuk, a mild-mannered retired auto worker from Cleveland? [see Kulish 2009]), there are fewer such doubts when it comes to organizations (e.g., I.G. Farben; Volkswagen; the German government), who can sometimes be induced into accepting blame for past sins even when there has been complete turnover in the biological persons who compose them.

What is responsible then for the relative consensus that typically pertains to the identity of formal organizations? As depicted in figure 3, I suggest that the key ingredient is that while formal organizations may have many members and many stakeholders, the *right to speak on behalf of the organization* is always strictly controlled. This follows from the foregoing discussion regarding the importance of common knowledge for coordination. To repeat, coordination can occur despite wide variation in private beliefs. What matters is what is expressed publicly (see Adut 2005). Accordingly, two related “voice rights” are crucial: the right to speak on behalf of the organization and the right to speak *publicly* within the organization. Consider in any organization who is allowed to send emails to all other members and who can claim that they are speaking on the organization’s behalf in such communications. Observe further how the right to speak to outsiders (e.g., the press, Wall Street analysts) in an official capacity is strictly controlled. And consider what would occur were these rights to be broadly shared. Suddenly, the organization reverts to being a collection of individuals rather than a coherent “actor.” Since anyone can speak, and can say that they represent the organization, it becomes highly unlikely that there will be a consistent message about the organization’s identity. As a result, the common knowledge that is the basis for coordination (in the absence of fiat) internally, and external commitment, evaporates.

#### FIGURE 3 ABOUT HERE

Note further that insofar as organizations engage in decoupling in order to deal with external demands without having to change their procedures (Meyer and Rowan 1977), the concentration of voice-rights plays a key role in making this possible. Such decoupling would be threatened if internal actions and conversations were freely broadcast to the outside and/or if representations to the outside had equal weight regardless of which organization member makes them. That is, not only does the consistency of internal identity (upon which internal coordination is predicated) and the

consistency of external identity (upon which external commitments are predicated) depend on a voice hierarchy, but so too does the capacity for maintaining a public face that varies from one's private face.

### **Fiat as Byproduct**

We can now return to the question of why organizations are hierarchical. Building on HF84, I have argued that the key rights that must be concentrated in order for formal organizations to achieve the reliability and accountability that gives them their selective advantage are voice rights. And once we recognize that voice rights must be concentrated in order for organizations to achieve a clear (internal or external) identity, it follows why membership and decision rights (“fiat”) must be concentrated as well, even if they are often “loaned” out (Baker et al., *ibid.*). As discussed above, it is problematic to view fiat as the basis for effective internal coordination. And it does nothing (directly) to shape outsiders' orientation to the organization since such outsiders are outside the purview of such fiat. But as depicted in figure 3, the concentration of such rights is a *byproduct* of the need to concentrate voice-rights. That is, just as HF84 asserted that structural inertia confers no particular advantage on organizations, it seems reasonable that fiat confers no *general* advantage on organizations. However, the right to direct employee behavior, and perhaps the ultimate right of firing noncompliant employees, must be concentrated if voice-rights are to be concentrated.<sup>6</sup> What ultimately prevents an employee from speaking to the media, or broadcasting her views on the organization on a company-wide email if not that she can be fired for speaking out of turn?

The logic of this argument can also be developed from an external perspective. Ultimately, the manager's right to fire employees is backed by the (monopoly over force enjoyed by) the state. If the manager fires an employee and the (now former) employee does not leave the premises, the police may be enlisted to remove her. To be sure, the state will only enforce this right if the employer abides by its rules for employer conduct. But every employer enjoys a certain latitude or “sovereignty” (Coleman 1982; see also

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<sup>6</sup> One could reasonably argue that decision-rights are thus relatively unimportant, with fiat essentially consisting of membership rights only. This may be true to a certain extent, but the control of both membership rights and decision-rights ultimately flow from the same legal foundation [and are therefore difficult to separate], which is the master-servant relationship (see Masten 1988; Freeland 2009).

King et al. 2009) whereby it is recognized that employees are expected to obey orders (see Masten 1988; Freeland 2009). But why does the state give such autonomy to organizations? Consider the counterfactual. If employees were free to act as they saw fit-- and to claim that such actions represent the organization-- then the organization could no longer be held *accountable* for its actions. And it may be said that the ultimate reason why accountability confers selective advantage upon formal organizations is that the state is thereby willing to treat them as fictive persons (Coleman 1982; see also King et al. 2009). But this fiction would not hold if the persons involved were a hydra-headed organism, with each mouth telling a different story about its past or future actions. Thus insofar as the state wishes to imbue organizations with accountability, the very charter of the organization must spell out who controls the right to act on behalf of the organization, and it must correspondingly be willing to enforce such rights. Finally, insofar as actions can be understood as being undertaken on behalf of an organization only when they are *announced* as such, the ultimate right (which must be strictly controlled) is that of voice.

### **Exceptions?**

The foregoing discussion is obviously too brief a treatment to do full justice to the question of why formal organizations tend to be hierarchical. At the very least, a full treatment must deal with variation in the degree of such hierarchy. Some aspect of this variation is captured in this observation by yet another famous resident of The Farm:

Stanford students often asked me about the differences between managing in business, in government, and in the university. I had a somewhat flip answer. "In business," I said, "you have to be very careful when you tell someone working for you to do something, because chances are high that he or she will actually do it. In government, you don't have to worry about that. And in the university, you aren't supposed to tell anyone to do anything in the first place."  
 -- Shultz 1993: 34 (quoted in Galaskiewicz 2008)

Clearly, the difference in the low level of compliance in government and universities (at least by tenured faculty) is driven by the employees' perception that managers cannot penalize them for disobedience. But then does the weakness of hierarchy in these cases imply that they are not formal organizations? Clearly not. How then do we reconcile such weakness with the current framework?

Two final points must be made. First, while fiat may be weak in such organizations, control of voice-rights is just as concentrated as in any organization. Government bureaucrats face sharp restrictions on their ability to speak to the press on behalf of the government. Moreover, even tenured faculty cannot (credibly) speak on behalf of a university; they speak for themselves. Second, such weakness in control reflects the penetration of alternative bases for external accountability and internal coordination (cf., Galaskiewicz 2009). In the case of government bureaucrats, civil service rules and regulations govern conduct. In the case of university faculty, conduct is governed by professional norms. Were these alternative sources of coordination and accountability not to govern, the weakness of fiat would indeed undermine the reliability and accountability of these formal organizations. And since they do govern, they simultaneously undermine the organizational hierarchy and make it relatively unimportant for achieving the reliability and accountability needed for the organization to survive.

Thus we ultimately return to the lynchpin of HF84's analysis, with its accompanying echoes of Meyer and Rowan (1977)-- i.e., the selective advantage conveyed by reliability and accountability. Insofar as reliability and accountability can be attained without a formal organization, it should be relatively unimportant to take on the guise of a formal organization. And this in turn should weaken the hierarchical features that make the formal organization possible-- in particular, the concentration of voice rights. In this sense then, the Stanford Legacy teaches us, if implicitly, that *who says organization says' one voice.'*

In reaching this conclusion, I hope I have not done an injustice to Hannan and Freeman's theory and have made at least a token gesture of repayment for all that I learned during my time on The Farm.

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Figure 1  
Hannan and Freeman 1984:  
Formal Organization due to Reliability and Accountability

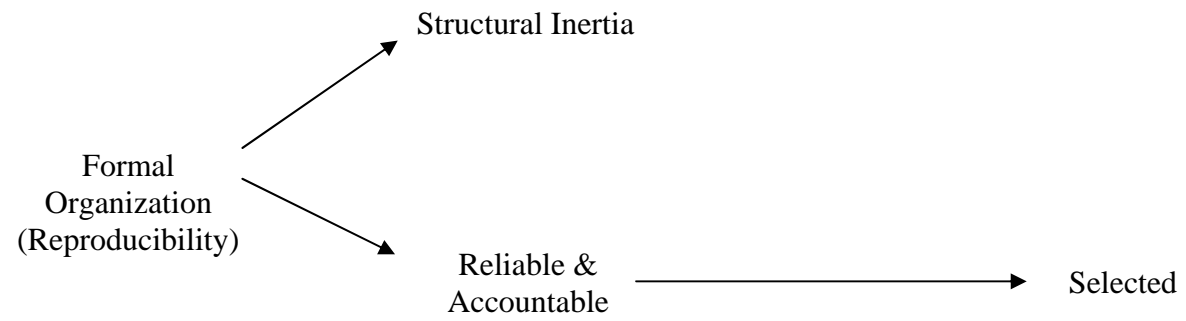


Figure 2: Hannan and Freeman 1984, Modified

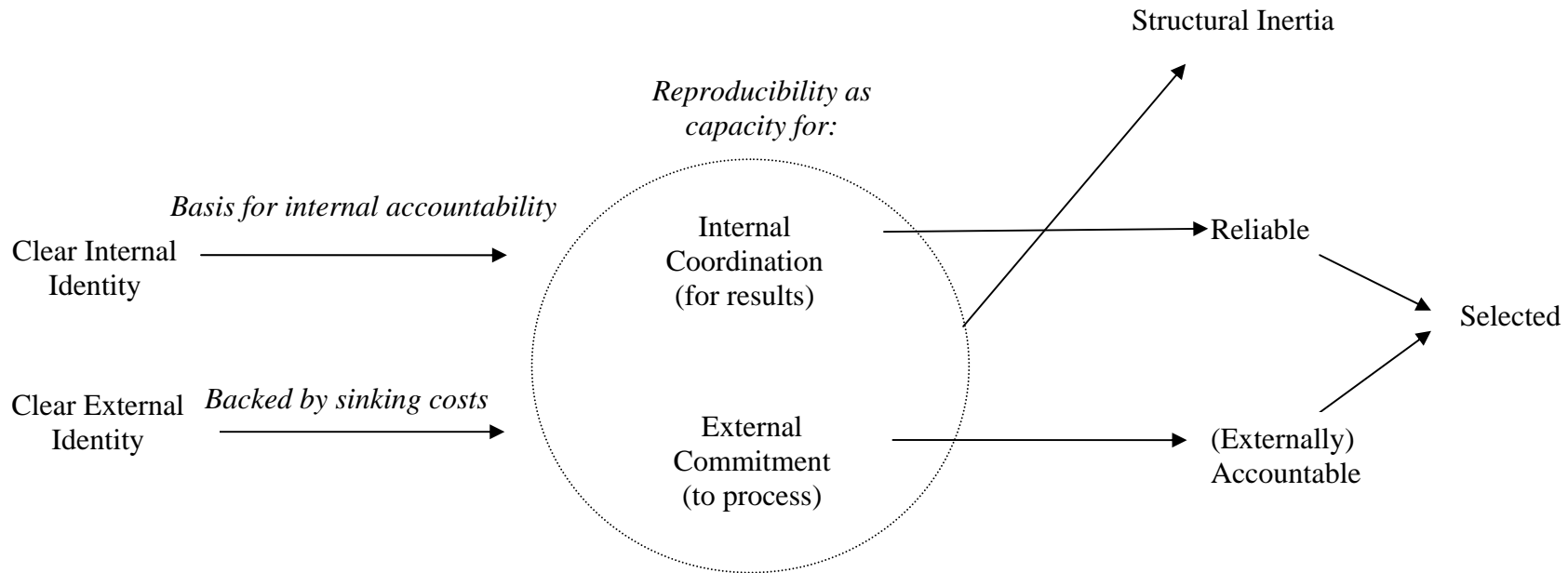


Figure 3: Why Hierarchy?

