Tackling Design Anew:
Getting Back to the Heart of Organizational Theory

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Executive Overview
We propose that the study of organization design has been unduly neglected in recent years despite its critical importance for organizational performance. We point to the daunting complexity of the subject matter as a pivotal reason why researchers have turned to other questions. In this paper, we argue that the complexity of design can be successfully approached through the conjoint application of theories from strategic management and organization theory to types of organizations. We elaborate on this approach using transnational professional service firms as an illustrative example.

There is a growing recognition that, over the past several decades, we have neglected a vital challenge that should be a core, perhaps even the core, concern of organizational theory: understanding the management of collective effort through organization design. In this paper, we restate the importance of organization design, highlighting the relatively recent emergence of highly complex organizational forms and the intimidating challenges confronting the would-be researcher. Our central purpose is to show how these challenges might best be approached.

Overcoming the Intimidating Complexity of Design
Following Galbraith (1995, 1999) and Burton, Eriksen, Håkonsson, and Snow (2006), we use the term “organizational design” as a more conventional designation for what Nadler and Tushman (2003, p. 4) referred to as “organizational architecture.” In doing so, we are emphasizing the “configuration” approach, defining organizational design as the structures of accountability and responsibility used to develop and implement strategies, and the human resource practices and information and business processes that activate those structures (Miller & Friesen, 1984).

Our starting position, then, is that organization theory is by definition about insights into the orchestration of collective cooperation. We accept that the particular ends pursued will vary across organizations as they appeal to and are accountable to different stakeholders, and that possible design permutations will be driven by a host of rational, behavioral, economic, and institutional factors. We also accept that design is not the only challenge confronting organizations. But that challenge is fundamental and universal, and our assumption is that a focal interest of organization theory must inevitably be the understanding of how to organize people and resources in order to collectively accomplish desired ends.

The next section briefly juxtaposes the heightened importance of organizational design with its
decline within the discipline of organization theory. We offer reasons for this lapse of attention. The subsequent section turns to our central theme, suggesting how the task of understanding and ultimately addressing today’s organizations and their design challenges can be successfully approached.

The Importance of Design

It is a cliché to say that organizations are faced with an unprecedented array of challenges. It is perhaps less obvious to note that the most urgent and pervasive among these challenges can only be addressed by the continual and deliberate orchestration of organization design on an ongoing basis. Design drives the way strategies are formulated or formed, and determines whether and how they can be implemented. It is the vehicle by which firms recognize the need for adaptation, determine its course, and put change into effect. It is the framework that enables and allows collective behavior to occur.

The importance of design is illustrated by Bartlett and Ghoshal’s (2002, p. 4) retrospection on their experiences with transnational companies: “Throughout our five-year study, we were continually impressed by the fact that most managers of worldwide companies recognized what they had to do to enhance their global competitiveness. The challenge was how to develop the organizational capability to do it.”

The same point is underscored by a recent McKinsey & Company study (Bryan & Joyce, 2007) that showed that, by the mid-1990s, the competitive advantages and subsequent downfalls of firms such as ABB, Citigroup, IBM, P&G, and Xerox were, in large part, attributable to organization design failures, such as the weaknesses of reporting and authority structures, an inability to build and leverage capabilities across products or geographies, and a failure to adapt organizationally to trends such as globalization. Bryan and Joyce concluded that organization design “is the key to unlocking the opportunities of the 21st century” (2007, p. 16).

The importance of design (and its neglect) is also shown by reflecting on how we, as scholars, approach and develop new ideas. Some theorists of strategy insist that firms should develop and leverage unique, inimitable, and valuable resources (e.g., Wernerfelt, 1984). Others maintain that firms need to cumulatively develop their capabilities in ways that maintain their uniqueness and competitive advantage (Teece, Pisano, & Shuen, 1997). But only appropriate organizational designs can configure resources to achieve these things (Galbraith, 1995, 1999; Miller, 2003; Nadler & Tushman, 2003). The importance of design also undergirds discussions of innovation, often promoted as the central capacity of contemporary organizations. If, as advocates of innovation suggest, particular innovations or adaptations are required in specific environments, then tailored organizational designs are needed to survive, support, and effect such change.

Yet, for the most part, recent organization scholarship has not spoken to these issues. Moreover, whenever design is mentioned, it is typically in a highly specialized or abstract way. Some design elements may be referenced, such as human resource practices or aspects of information systems or structure, but they are disconnected from the full pattern—“configuration,” in our terms—of design. Similarly, discussion of strategic alliances may dwell on whether the form of alliance should be through shared equity or a fixed contract, but little is said about how to manage such relationships through information sharing, improving accountability and performance, and integrating human resource practices. In the rare instances where a broader view of design is embraced, it tends to be highly abstract and simplistic—such as the M-form described by scholars of international diversification.

One striking indication of how attention has turned away from organization design is the difference between two highly influential handbooks published four decades apart. March’s (1965) Handbook of Organizations had a clear interest in the internal management and organization of different types of organizations. It included several chapters that dealt broadly with issues of management and organization; a primary emphasis of each of these chapters was the management of organizational design. In contrast, Clegg, Hardy, Lawrence, and Nord’s (2006) award-winning Handbook of Organization Studies takes much less
interest in issues of management and organization—only two chapters attend to matters of internal management and organization. Instead, this *Handbook* systematically reviews currently prevalent theories of organizations (such as institutional theory) and discusses issues such as emotion, aesthetics, and compassion. Emphasis has clearly moved away from concerns of management and organizational design.

Our point in drawing this comparison is not to imply that either *Handbook* is wrong or misleading or superior in its coverage or focus. On the contrary, both are excellent, perhaps definitive summaries of the field of organization theory at the time of their publication. They reflect the field. As such, they highlight how our attention has shifted. An unfortunate consequence of this shift in attention, however, is that we have little understanding of the newer, more complex organizational arrangements that now populate the organizational landscape, such as transnational organizations, vertically disintegrated firms, and network, modular, or even virtual organizations (Walsh, Meyer, & Schoonhoven, 2006). Instead, our theoretical appreciation of organizational design leans toward obsolescence. To quote, again, Bartlett and Ghoshal (2002, p. 9): “[T]he bad news is that many of the old models, concepts and frameworks that we developed... no longer prove as powerful and robust as they once did.”

### The “Causes” of Neglect

One reason for the current neglect of organizational design is that the field has moved its focus, empirically and theoretically, from the organization to the field, population, and community. This shift in the level of analysis occurred because of the exciting and profound questions raised in the late 1970s. Attention was pulled toward new levels of analysis, such as “organizational fields,” and “populations” of organizations. But associated with the shift was a move from rich to truncated descriptions of complex organizational forms—and, at the same time, from the recognition of subtle and substantial differences across types of organizations to generalization to all organizations. As a consequence, our understanding of organizational design became depleted and increasingly out of date.

A second reason for the current neglect of organizational design, and one that we believe to be fundamental, is the sheer complexity of many of today’s organizations. This off-putting complexity poses significant methodological problems, including the need for large commitments of research time and resources. Today’s organizational designs cannot be approached using convenient databases. Instead, they demand close-range and detailed studies, where data collection may be extraordinarily demanding of scholarly commitment, and where access may not be readily provided. The more detailed, qualitative, and time-consuming approaches exemplified by, for example, Mike Tushman, Jay Galbraith, Andrew Pettigrew, Shona Brown, Kathy Eisenhardt, Sumantra Ghoshal, James Baron, and John Child—though profoundly more attentive to organizational design and, in our view, much more informative about it—are far tougher to carry out by scholars under great time and publication pressures. They do not fit easily with career milestones and persuasively deter younger and senior scholars alike (Miller, 2009).

A third reason for the neglect has been the deepening interest in understanding parts of the overall design. Those who have retained an interest in organizational-level phenomena have increasingly narrowed their scope of attention. For example, human resource practices are commonly studied, as are the compositions of boards of directors, where interest is in their influence (e.g., do more women make a difference? or more outsiders?) or their role in the diffusion of practices (e.g., do directors act as carriers of ideas?). However, not all aspects of design have received attention. Anand, Gardner, and Morris (2007) reported that structures are much less examined now than several decades ago. But even when it is studied, structure is often treated as if it were synonymous with design. One consequence of this focus on organizational design parts is that although we may learn much about the bits of an organization, we have little understanding of the overall organization.
Moving Forward

Renewed attention to the study of organizational design would be timely in part because of the emergence of organizational forms not yet understood. However, given the daunting complexity of contemporary organizational designs, how might the task of studying them be approached? We make two suggestions. First, the study of organization design can be simplified and rendered more feasible by restricting attention to a type of organization. Here we are returning to the tradition of March’s (1965) Handbook, where no fewer than nine chapters were devoted to particular types of organizations, ranging from unions and political parties to military organizations, prisons, and business organizations. Despite some risk of oversimplification, by focusing on organizational types we can be respectful of organizational differences and represent organizations through rich rather than specialized characterizations. Second, we argue for the conjoint application of current theories that are especially applicable to design challenges of the organization type in question. In doing so, we run counter to prevailing approaches, in which theories are usually pursued and developed in isolation (McKinley & Mone, 2003; McKinley, Mone, & Moon, 1999; Tsoukas & Knudsen, 2003) and theoretical “purity” is defended as providing “better” accounts.

Studying Organizational Types

We have suggested that the study of organizational design may have declined because of its increasing complexity and the demands on resources and time. Our preferred approach to overcoming this complexity is to return to the study of types of organizations. Such an approach is predicated on the argument that, given the vast diversity of today’s types of organizations, it is necessary to partition and parse that variety by returning to the comparative study of organizations (McKelvey, 1982; Miller & Friesen, 1984). One can no more generalize about the design requirements of a small high-technology company, a public utility, a hospital, and a multinational network organization than one can generalize about the heartbeats of elephants and mice. This point is particularly apposite if it is accepted that organizational designs are best understood by characterizing their overall architecture: their structures, their systems, their processes, and their central tasks. Designs differ widely across different types of organizations, and thus those types must be analyzed individually. Only then can we comprehend the complementarities or inconsistencies among the elements and thus their ability to achieve organizational objectives (Nadler & Tushman, 2003). A focus on types, in other words, encourages the search for richer portrayals of organizations and pushes the researcher to treat these entities respectfully as complex phenomena (McKelvey, 1982; Miller & Friesen, 1984).

Merton’s (1957) classic work on mid-range theory in sociology suggested the need to fragment social systems into more homogeneous parts in order to partition complexity and arrive at a more profound application and understanding. Similarly, as noted in our reference to March’s Handbook, early theorists did not unthinkingly lump all organizations together as though their very different purposes, challenges, and sources of legitimacy did not matter. They distinguished among organizational types based on their different purposes, constituencies, stakeholders, strategies, and rationales. They recognized that fundamentally different organizations confronted distinct challenges that required very particular design responses. This recognition of the significance of organizational differences has, until very recently, been relatively lost or ignored. As King, Felin, and Whetten (2009, p. 4) lamented: “The tendency has been to wipe away differences altogether and to prioritize abstraction over contextual specificity . . . even though . . . understanding [the] variety of organizing and organizations is central to organization theory.” It is through a focus on specific types of organizations, in short, that the intricacies of their particular challenges and their design options are revealed.

We can illustrate the advantage of focusing on a type of organization by drawing on an ongoing program of study into transnational professional service firms (PSFs), such as the largest accounting, consulting, and law firms. These firms include some of today’s most complex organizations. They
are extremely large, as measured by numbers of employees, and geographically dispersed, and they provide intangible, knowledge-based services targeted at the world’s largest international companies. These clients demand not only seamless global provision, but services based on deep and up-to-date professional expertise, customized to industry and market contexts.

These features—scale, geographical scope and complexity, customization—are associated with distinctive managerial and organizational challenges, not least the need to simultaneously organize around knowledge-intensive services, the industries and markets of clients, the regulatory jurisdictions of different countries, and the clients themselves (Brock & Yaffe, 2008; DeLong & Nanda, 2003; Greenwood, Diaz, Li, & Cespedes Lorente 2010). The organizational challenge is to devise structures, accountabilities, and information and reward systems that will coordinate and balance these axes to best exploit and hone organizational resources—in short, systems that will flexibly apply the right resources to the right opportunities in a timely fashion (Eisenstat, Foote, Galbraith, & Miller, 2001; Hansen, Mors, & Lovas, 2005; Miller, Hope, Eisenstat, Foote & Galbraith, 2002). All large professional service firms are confronted with these challenges.

For organizations generally, the balancing of multiple axes of accountability is not a new problem. Until the 1920s or 30s most firms were organized around business functions: marketing, production, finance, and so on. The emergence of the multiproduct firm with divisions responsible for different lines added a second product dimension, creating new modes of accountability and thus of authority and information (Chandler, 1962). But for the transnational professional service firm, growing globalization has added a third—the geographical—axis, complicating designs further and contributing to the trend toward matrix structures in which individuals wearing multiple managerial hats are accountable to both functional and geographic superiors (Galbraith, 1999). Further, there is an additional fourth axis: the need to leverage and customize resources, knowledge, and relationships with clients across the dispersed parts of the firm (Rose & Hinings, 1999; Segal-Horn & Dean, 2009).

In the transnational PSF, reconciling the multiple axes is particularly complicated because service delivery is through a highly professionalized workforce, a mode of delivery that requires firms to develop organizational arrangements that strike an appropriate balance between professional independence and firm-level control. But professionals resist certain forms of organizational control, and a balance has to be found between allowing professionals sufficient discretion to enable services to be tailored to each client’s demands and protecting the firm from wayward professional behavior (recall the Enron fiasco)—and, at the same time, accomplishing the “seamless” provision of global services in order to ensure commercial viability.

Thus, the design problem may be an old one, but its specifications are more complex and nuanced for the contemporary transnational PSF. For us, the particular configuration of design challenges outlined above defines the transnational PSF as a distinctive organizational type. It combines multiplexity with a normative, professional core. It would be unhelpful and misleading, given their very distinctive organizational and managerial challenges, to lump these organizations into a broader category; doing so stretches and breaks the link between empirical complexity and theoretical nuance, thus diminishing rather than enhancing understanding.

The first step toward understanding contemporary organizational designs, therefore, is to acknowledge differences across organizations and to narrow the complexity of the challenge by identifying and then analyzing one such organizational type. That, however, is only the first step. The second is the application of theories in concert.

**Using Theories in Concert**

There is a path-dependent trajectory to the evolution of theories, in that initial ideas beget reactions and incremental shifts of attention as the theory itself becomes the focus. Organizational scholars focus their energies on expanding a theory from within its evolving parameters. The theory might once have been put forward as an account of a certain phenomenon, but that
phenomenon later takes a back seat to the theory itself. As Tsoukas and Knudsen put it, the works of researchers are “shaped by their own paradigmatic preferences, the prevailing zeitgeist, and the . . . norms within which their work takes place” (2003, p. 11).

One consequence of the insularity of theory development is that the need or the ability to connect the focal perspective with other perspectives is often afforded a low priority and/or is portrayed as difficult because “the information processing demands on organization theory scholars are increasing” (McKinley, Mone, & Moon, 1999, p. 636). There are exceptions, as when Oliver (1991) combined institutional and resource dependence theories (see also Baum, 1996, and Roberts & Greenwood, 1997), but these are notable precisely because they are unusual, even though, paradoxically, they typically generate considerable insight. However, the advantage of using theories in combination becomes quickly evident when examining organizational design. The researcher’s attention is less trammeled by the overarching framework of any one theory and focuses instead on the empirical problem. In this way, insights into complex organizations can be enhanced by the joint application of mature theories that are chosen because of their relevance to the particular type of organization and design problem at hand.

To illustrate how the use of theories in concert can help unlock the daunting complexity of contemporary organizational designs, we apply three theories—contingency theory, the resource-based view, and institutional theory—to the transnational PSF. Contingency theory would anticipate that each relevant axis of an organization should be represented in its organizational design. Thus, it would suggest that transnational PSFs should recognize, structurally, lines of service, geographical locations, and markets. Contingency theory would also advocate that the recent surge in the size of these firms and their growing geographical reach would lead to more formalized procedures and a more pronounced hierarchy, pushing the firm away from the traditional “professional partnership” format with its emphasis on collegial, clan arrangements such as teams and direct participation in decision making (Pinnington & Morris, 2002). And it would predict that more lateral integrative devices, especially client management teams, would be used to reconcile points of view from the various axes (Galbraith, 1973; Lawrence & Lorsch, 1967; Thompson, 1967). These suggestions—higher differentiation, more formal integration, and more extensive lateral integrative structures—have been observed empirically and shown to be associated with superior performance in PSFs (e.g., Aharoni, 1999; Cooper, Hinings, Greenwood, & Brown, 1996; Greenwood, Rose, Brown, Cooper, & Hinings, 1999; Miller, 2003; Morris & Pinnington, 1999; Rose & Hinings, 1999). That is, transnational PSFs corroborate the essentially structural predictions of contingency theory.

Unfortunately, it is easier to prescribe the multidimensional matrix than to manage it. Even where there are only two or three axes, organizations frequently experience fractious tension between the different dimensions, and collaboration is often a highly politicized process (Bower, 1974; Kilduff & Tsai, 2003; Mintzberg, 1983; Shrader, Lincoln, & Hoffman, 1989; Tsai, 2002). For illustration, a transnational PSF might experience tensions between a client service team centered in London serving an international client such as General Motors and professionals who are needed from time to time for the international client but who are located in different countries and have their own clients or functional commitments (Rose & Hinings, 1999). Similarly, professionals are often driven to focus on providing (and billing
for) services to clients rather than pausing to inscribe lessons learned into the firm’s global knowledge system for others to use (Aharoni, 1999).

Contingency theory has little to say about how to handle such conflicting loyalties and time demands. Nor does it advise how to handle tensions arising from the nature of a professional workforce. Yet it is precisely such tensions that distinguish professional service firms, especially when they are transnational in scope. The design recommendations of contingency theory, in other words, though a useful starting point, are incomplete, first because by focusing on one part of design—structure—they ignore today’s realities, and, second, because the level of the theory’s generality (developed to apply to all organizations) limits its utility when confronted with the complex reality of a particular organizational type. As such, and illustrative of our first point, its predictions are often confusing and unusable. At PSFs some criterion has to be found for prioritizing the axes of organizational design and also for balancing the pressures for professional autonomy with commercial strength (Miller, 2003; Miller, Eisenstat, & Foote, 2002). In other words, any workable design solution has to be sensitive to these idiosyncratic and defining tensions of the particular type of organization.

Resource-Based View

By itself, then, the structural-contingency perspective is helpful but insufficient. But look what happens if we then add another perspective—namely, the resource-based view. This perspective helps to prioritize organizational axes by determining which axis defines the organization’s critical advantage and thus should be afforded primacy, and which axes should be subordinated to that axis in order to secure realization of that advantage/capability. The connection with organization design is that managers must first identify the critical axis or axes most responsible for creating, sustaining, or exploiting the resources that provide competitive advantage, and then second, empower these unique sources of advantage via organizational arrangements that provide the required budgets, authority, and human resources that exploit that advantage—even if doing so deprives the other organizational axes. In short, the critical axis must be identified and then reinforced by the full range of organizational design elements so as to build a cohesive configuration. Note here the importance of not focusing on organizational parts!

In the successful transnational PSF the critical axis is the ability to customize and focus on state-of-the-art services and expertise for the benefit of the firm’s major transnational clients, because it is the large international clients that provide the highest financial returns and generate the projects that excite professionals and enable the firm to recruit the brightest minds (Brock & Yaffe, 2006; Rose & Hinings, 1999). Focusing resources on these clients is thus essential.

To that end the largest and most successful transnational PSFs have begun to identify and target the cross-border business of large international clients. To draw, on demand, key resources from multiple functions and geographies in order to serve these key clients, firms have reduced the authority of country managers (the geographical axis) in favor of “engagement partners” heading client management teams (Rose & Hinings, 1999, p. 57). Partners and professionals co-opted onto these client teams are then appraised and rewarded according to how well they support the client management team axis. Global knowledge management systems track the business needs and potential of individual clients, training programs deepen the firm’s understanding of a select range of industries and service lines, and trans-border profit pools are selectively used to overcome the latent tension between commitment to local and global clients. Again, we see the importance of the full panoply of design arrangements, harnessed to a collective purpose. Moreover, we can only understand the configuration of organizational parts with reference to the particular managerial and organizational challenges being addressed.

In short, recognizing global client service capabilities and relationships as the critical resource simplifies the task of organization design—it guides the prioritizations of axes of organization (client, geography, and professional specialization) and facilitates collaboration across service lines, countries, and industries, within a multiplex
organizational design (Greenwood, Morris, Fairclough, & Boussebaa, 2010). And so, implications for the design of client-centered accountability, information, and incentive systems become far clearer.

Institutional Theory

By applying a third perspective, institutional theory, we gain further insight. This theory does two things. First, it emphasizes that behavior is shaped by “institutional logics” (i.e., cognitive and normative schemas that enable actors to comprehend their organizational worlds) that are legitimated outside the organization. These schemas can be highly resistant to recombination or change (Thornton & Ocasio, 2008). Second, institutional theory draws attention to the critical role of language and discourse (Hardy, Lawrence & Grant, 2004; Maguire & Hardy, 2009; Phillips & Hardy, 2002; Phillips & Malhotra, 2008).

When applied to the professional service firm, it can be readily seen that the “line of service” axis encodes a particular definition or logic of professionalism. From a design perspective, the definition is then reinforced by wider organizational arrangements, such as human resource practices that funnel “appropriately” qualified employees to those tasks, and that evaluate them accordingly. Further, information flows are arranged so as to induce professionals to function in a manner consistent with the logic of professionalism, and global knowledge centers distribute “best practices” across the firm (Morris & Empson, 1998). These practices and information flows are provided within the organization, but they are prescribed and legitimated outside the PSF by the wider professional community. As such, they are robust and resist compromise.

In contrast, the client management systems of transnational PSFs reflect the institution of the market and are driven by the logic of commercial viability rather than by some higher social order (Brint, 1996). As with the professional logic, the commercial logic is reinforced by a variety of organizational design arrangements, such as human resource practices that provide career incentives to those optimizing revenues from clients, and information systems that provide client managers with detailed information on a client’s market context. Critically, the commercial logic may conflict with the prescriptions of the professional logic. In other words, the institutional perspective depicts the transnational PSF as a site of contestation between legitimated logics and makes clear that they are each built into the professional service firm’s structures and processes. The logics offer competing, equally legitimate prescriptions for guiding strategy and operations (Le Breton-Miller, Miller, & Lester, in press).

Professional service firms have long recognized the importance of reconciling these competing logics and have traditionally used a unique organizational form: the professional partnership (Galanter & Palay, 1991; Greenwood & Empson, 2003; Greenwood, Deephouse, & Li, 2007)—a design fundamentally different from that of the public or private corporation because it concentrates ownership and managerial responsibilities on “partners” who share the risks and the profitability of the firm. But, as professional firms grew larger, more complex, and more intent on offering globally coordinated services, traditional structures and processes began to buckle. The traditional partnership form became transformed into a “managed professional bureaucracy” (Cooper et al., 1996; Pinnington & Morris, 2002).

However, the more formal organizational arrangements of the managed professional bureaucracy ran counter to the prevailing identity of professionals as autonomous agents, and so these new arrangements were legitimated in two ways: The partnership form of governance was retained symbolically through use of the terms “partnership” and “partners” (Empson, 2007), and the language used to constantly legitimate the managed professional bureaucracy deliberately invoked the traditional image of the professional. Moreover, nontraditional service areas, such as consulting, were “theorized” as a response to client requests and thus as a professional obligation (Greenwood & Suddaby, 2006). In this way, the use of familiar language and symbols softened the radical shift in organizational form, cloaking the new arrangements in the language of the old values.

In short, by pointing to the meanings attached to structures and processes, institutional theory helps us understand members’ perceptions and
portrayals of organizational design and the meanings that they have for organizational members. Organizational designs are both responses to these perceptions and their determinants.

**Summary**

We have argued that by using especially relevant theories in combination and applying them to a type of organization we can get traction into understanding and ultimately addressing the design challenges of today’s complex organizations. Our central assumption is that understanding the rich designs of today’s organizations ought to be the keystone of organization theory and a path to enhancing its relevance. We have asserted that the study of design would be enhanced by focusing on types of organizations so as to identify their defining managerial and organizational challenges. Our contention is that it is only by focusing on a recognizably distinct organizational type that the challenges confronting an organization, and their relationship to design issues, can be fully appreciated. We have shown how, through the application of several theories, we can tease out the prerequisites that have to be taken into account when configuring structures, human resource practices, and information processes that will address these distinctive challenges.

In our illustration, contingency theory was not quite up to the task of prioritizing the axes of transnational PSFs. The complementary use of the resource-based view as a basis for a prioritization of axes lent greater clarity to the design task by providing clues as to how to structure accountabilities and orchestrate collaboration through human resources and information processes. Those are important normative lessons. But even these theories, taken together, were incomplete. They did not address the tension between demands for professional discretion and demands for overall commercial success. The insights of institutional theory were needed to understand how these conflicting logics, inherent in PSFs, might be reconciled—so that a more robust design could be created. Theories are inevitably limited and thus insufficient in their explanatory power. It makes sense, therefore, to tailor and use those most relevant additively, especially when attempting to understand complex problems.

Our point, in short, is that the study of complex organizational designs is made more manageable by understanding the fundamental challenges confronting an organizational type, followed by the application and use of multiple relevant theories.

**Conclusion**

We believe that organizational theory must return to its roots in the study of organizational design, and we have suggested some ways of overcoming some research obstacles in order to do that. We believe that the resulting rewards to organizational theory will extend well beyond enhancing its contribution to practice; they will also contribute to the more effective use and development of theory.

Today’s theories retain considerable potential but have been applied to an unnecessarily narrow set of issues and thus are stunted in their development. They can and should be put to work—put into harness—on tasks such as design that lend them greater potency and insight, and that broaden, deepen, and condition their range and thrust of application (Dunbar & Starbuck, 2006). We have shown how both the complementarity and the situational appropriateness of contingency, resource-based, and institutional theory can be clarified by the study of a specific organization design challenge. But it is important also to remember that many theories were actually generated by the study of design. Indeed, many of the most fruitful theories of our rich past came from tackling organizational problems and issues head on, and from closely observing differences across organizations. Contingency theory was birthed not by scholars setting out to invent new theory, but rather in the attempt to solve organizational problems using the lens of bureaucratic theory—which ultimately proved inadequate to the challenge at hand and prompted researchers to develop a new “contingent” perspective. Similarly, institutional theory and its surfacing of normative and legitimacy issues arose out of fine-grained studies of educational organizations—and proved to be of vastly broader application to a host of organizations that were initially excluded because they were thought to be more “technically” deter-
mined. In a similar way, our expectation is that it will be through the study of design that we will not only enrich current theories, but show their limitations and usher in the theories of the future. Bluntly, the source of new theories will be the study of organizations and their managerial and organizational challenges.

We must, however, close with an appeal to relevance. Hambrick (2007, p. 1347) criticized “showy devotion” to theory, and Cummings (2007, p. 357) raised the risk of “being seen as a bunch of monastic fuddy-duddies who pass sacred wisdom among ourselves while holding a tenuous grip on what goes on around us.” Hoffman (2004, p. 214) concluded that unless we reconnect with managers, “organizational theory faces a growing irrelevance.” Taking stock of the position of organization theory is thus an important undertaking. And as Miner (2003) noted, there is no shortage of theories. Unfortunately, these theories are rarely seen as having “value.” Not one recent organization theory included in Miner’s study is rated as useful. Perhaps, implicitly, the unease with the state of organization theory has less to do with the lack of appropriate theories and more, as we have argued here, with the challenges that have, and the challenges that have not, engaged our attention over the past 40 years. It is time to reprioritize the challenge of design, not only to guide design but to enrich theory.

References


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