

# Corporate comets or typical trajectories? Corporate dynamics in the 1990s

Craig R. Littler

*School of Management, University of St. Andrews, The Gateway,  
North Haugh, St. Andrews, Fife KY16 9SS, UK*

Received 3 February 2004; received in revised form 17 March 2004; accepted 26 May 2004

---

## Abstract

‘The Roaring Nineties’ [Stiglitz J. *The roaring nineties*. London: Allen Lane; 2003] witnessed fundamental changes in the context of management action. To date, the nature of corporate changes in the 1990s have been analysed in terms of shareholder-value logic (SVL), ‘financialisation’ and ‘hypercompetition’ [Iliescu AK, Lewin AY, D’Aveni RD, editors. *Managing in times of disorder: hypercompetitive organizational responses*. London: Sage; 1996]. This article takes SVL and neo-institutionalist theory as starting points, and examines the corporate implications by developing a signalling theory of the firm. It is postulated that firms operate in a ‘signalling space’ formed by a broader and more densely networked set of players in the capital markets and that managerial behaviour is oriented to the regular production of signals. The corporate implications of this for the trajectories of firms are explained. The parallels between some of these trajectories are explored as a deeper way of adding to the post-Enron debate. The paper is based on an analysis of the literature, but draws on primary sources and secondary sources in order to ‘ground’ the theory-building effort. © 2005 Elsevier Ltd. All rights reserved.

**Keywords:** Organizational restructuring; Organizational trends; Shareholder-value; Downsizing

---

## 1. Introduction

In July 1994, the Shoemaker–Levy comet reacted to the gravitational tug of Jupiter and downsized; it demerged into a string of beads across the sky. The structural reorganization of ice and rock failed, and Shoemaker–Levy crashed into Jupiter on 16 July 1994 making

---

*E-mail address:* clittler@st-andrews.ac.uk.

it the cosmic catastrophe of the decade splashed across every front-page. Traditionally, comets have been symbols of dire events. Was Shoemaker–Levy a symbol of the crashing corporate comets of the late 1990s? An Enron omen? Maybe not, but it represents a fitting signification of some of the 1990s trends.

Post-Enron, there has been considerable debate about the significance of events. The emphases have been on corporate governance, the failures of the auditing profession, and more broadly the failures of the accounting profession. I do not wish to add to the corporate governance or professional ethics debates here. Instead, the paper seeks to paint a bigger picture and to locate the Enron debates in a broader framework of corporate dynamics.

We still lack a comprehensive understanding of the 1990s changes from a critical management perspective. This paper attempts to fill in some of the gaps. These issues are important in understanding the changing nature of management, the shape of future organizations, and the nature of the firm in the 21st century. The paper explores some of the dynamics of this process; attempts to unpack some of the key organizational changes of the 1990s and generates new concepts in order to assist further theory-building.

The structure of the paper is that methods are briefly discussed in the next section. This is followed by an analysis of shareholder-value logic, which is analysed in terms of management signalling processes. Thirdly, there is an assessment of individual firm trajectories in order to build a better understanding of organizational changes in the 1990s. This understanding is reflexively brought back to the theory-building process in the closing sections of the article.

## 2. Methodology

This is essentially a theory-building article. Consequently, it primarily relies on a literature search conducted over several years (see [Appendix A](#)). Nevertheless, theory-building and theory-testing is a circular process ([Wallace, 1971](#)) and it is important to ‘ground’ theory-building in empirical knowledge. Therefore, the paper draws on secondary, published research, especially longitudinal studies, and, where appropriate, on primary data sources generated by the author and colleagues. This is particularly relevant where existing published data is limited or non-existent. As the article draws on a broad range of methods across several years of research, the fuller details of the various methodologies are outlined in [Appendix A](#). The interested reader is advised to consult the Appendix and the further publications by the author(s).

Some limitations of the approach should be noted. First, though the analysis and discussion draws on a range of original and secondary data sets across five countries – Britain, USA, Australia, New Zealand and South Africa – these all represent variants of what has been termed ‘Anglo-Saxon capitalism’. Second, a decade is an arbitrary block of experience and events rarely come in such neat packages. Many of the processes discussed in this article had an earlier starting point in the 1980s (see [Useem, 1990](#)).

## 3. Towards a signalling theory of firm behaviour

In this and the following section, we wish to develop some of the key ideas of a signalling theory of the firm as a way of understanding the changing organizational dynamics of the

Download English Version:

<https://daneshyari.com/en/article/1001841>

Download Persian Version:

<https://daneshyari.com/article/1001841>

[Daneshyari.com](https://daneshyari.com)