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# The early evolution of the foundations for behavioral organization theory and strategy

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**Summary** While the field(s) of management theory and the history of modern ideas in management, business education and organizations have many different intellectual roots, the Carnegie Mellon Behavioral trio (James March, Herbert Simon and Richard Cyert) who founded the behavioral perspective on organizations stand out not just for their collective contribution to founding the field of organizational behavior as we know it today, but also for their subsequent individual contributions to the field. *Organizations* and *Behavioral Theory of the Firm* set the stage for several subsequent developments in organization and management theory including research on learning, strategic management, organizational economics and organizational routines (Gibbons, 2003; Pierce, Boerner & Teece, 2002; Williamson, 2002, 2004; Augier & Teece, 2005, 2009).

In addition to providing some background on the Carnegie work, this paper traces the genealogy and development of some of the work of the founding fathers, and making the points that (1) while the work of Herbert Simon crossed disciplinary boundaries, he saw himself as doing only one thing, working in understanding limited rationality in decision making and (2) the work of James March shaped the field in a co-evolutionary way since he has been influenced too by the developments in organization studies.

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This paper discusses parts of the background and central ideas in the field known as “the Carnegie School” (Earl, 1988) and its influence on the field of organization studies, in particular through the works and ideas of James March, Herbert Simon and Richard Cyert. The work they did not only provided much of the foundation for the then-non existing field of organization studies; it also stimulated and provided much of the intellectual foundation for subsequent developments in fields of organiza-

tions, strategy and management (Augier & Teece, 2005, 2009); and they were shaped also by central developments in the history of management education and behavioral social science (Augier & March, 2011). They became a driving force of a movement, but a movement that itself was embedded in a set of societal and intellectual changes in the post war years.

Looking back at these developments it is clear that they at least in part were overlapping in terms of ideas as well as institutions and individuals and collaborations between them. As March (2004) notes, scholarship is a collective activity, and often involves overlapping individuals and

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institutions. For example, Simon who was central to the early development of organization theory, also served as advisor to the first foundation programs on behavioral social science, and was also involved in reforming business education. Similarly, March's work became central to the fields of organization science and behavioral social science; he, too, was in a business school and also was an early fellow at the then newly established Center for Advanced Study in Behavioral Science (CASBS). It is also clear, in looking back, that key to making many of these developments possible in the first place was the support, intellectual backing, and funding of a few key Cold War developments and institutions, in particular the RAND Corporation and the Ford Foundation (Augier & March, 2011). In their search for research that was interdisciplinary, fundamental, disciplined yet empirically motivated and more realistic than many previous academic traditions, RAND and the Ford Foundation provided institutional and financial support to the field of organization studies and behavioral social science early on. They also provided legitimacy by building and supporting institutions that could further help these emerging fields mature (in particular, in addition to CASBS, the Graduate School of Industrial Administration at, then, the Carnegie Institute of Technology). Within those institutions, the researchers had considerable freedom to do what they found interesting and ultimately central to building better theories and frameworks that could help us understand issues relating to organizational behavior better. Through their individual and joint effort, they helped establish an agenda, and provide an empirically relevant theory of organizational behavior and decision making; and each of them also helped shaping the subsequent developments in the field. The institutional importance of this history is the fundamental reason for the central role of business schools for the development of the field of organization studies (Augier & March, 2011; Augier, March, & Sullivan, 2005).

This paper will not detail the full history of these developments and ideas; instead, I will focus on a few ideas from some of the core contributors to illustrate part of the intellectual evolution that took place.<sup>1</sup> The next section discusses how Simon's vision for behavioral organization theory (and social science generally) was found in the context of his early work in public administration and political science and was strengthened as Simon proceeded to make contributions to economics; and, finally, found a home with the establishment of the behavioral science in the 1950s. The second step in realizing the behavioral vision, discussed in Section 'Forming the behavioral vision at Carnegie', came with the creation of the interdisciplinary research environment at Carnegie, including the recruiting of scholars such as James March and Richard Cyert. Their foundational joint work, as well as some of their individual contributions, are discussed in Section 'Some themes in later work'. The final section concludes with some remarks on the future of the field.

<sup>1</sup> While this present paper is rather short, some further details of some of Simon's intellectual trajectory I have discussed in Augier (2000, 2001), and in Augier and March (2002, 2008). The section on March's work touches on arguments that are further developed in Augier (2004, 2013).

## Herbert Simon, discovering the limits of rationality

Behavioral organization theory, following Simon's vision, is interdisciplinary as is strategy and strategic management (Augier, 2001a; Augier & Sarasvarthy, 2004). Simon himself didn't care much about differences between the disciplines; preferring instead to emphasize their commonalities (Augier, 2000). He was unusually firm in his resistance for disciplinary loyalty; "If you see any one of these disciplines dominating you", he said in conversation, "you join the opposition and you fight it for a while".<sup>2</sup> As a result, Simon could appear to be always leaving and never finding home; always embracing a new discipline with passion and intensity, but at the same time always appearing to be moving away and through new concepts and ideas. But in fact, there is a remarkable consistency to Simon's ideas (Augier, 2000). He was, first and foremost, an organization scholar, interested in exploring the decision-making and limitations to rationality in human behavior in different organizational and institutional settings (Augier, 2001a, 2001b; Augier & March, 2008).

An important thing to keep in mind is that if we are to form an accurate impression of Herbert Simon's intellectual formation and trajectory, we must begin by abstracting from accounts of Simon which focus on only part of this story and start from the beginning. For, as Simon notes (1988, p. 276), his early focus on decision-making processes of people in organizations "has been my central interest through out my whole professional life."

Born in 1916, Simon spent his early years with his parents and his older brother on the West Side of Milwaukee in a middle-class neighborhood. Attending public schools, Simon at first intended to study biology. However, after he went on a strawberry hunting trip, and discovered that he was colorblind (unable to distinguish the strawberries from the plants), he changed his mind, thinking that color blindness would be too big a handicap in biology. He then thought briefly about studying physics, but he gave up that idea after discovering that there weren't really any major advances left to be made in physics; "They have all these great laws", he said in conversation. "Newton had done it, no use messing around with it". As a result, upon finishing high school in 1933, Simon enrolled instead at the University of Chicago with an interest in making social science more mathematical, and an intention to major in economics. In keeping with his strong wish to be independent, Simon preferred reading on his own instead of taking classes; and he particularly refused to take the class in accounting, which was required to graduate in economics. As a result, he majored instead in political science.

Political science wasn't physics, of course; with all their 'great laws'. However, as a science, it could encompass both theory and practice; and, being an empirical science, it had to take the data seriously. Furthermore, Simon found an appeal to interdisciplinary thinking (in particularly psychology) in understanding political behavior, which attracted him. The details of Simon's mature work differ, but the underlying ideas, interdisciplinary thinking and the necessity of

<sup>2</sup> Personal conversation and interview with Herbert A Simon. This section builds on Augier, 2000; 2001a, in addition to this interview, published in Augier (2001b).

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