Abstract

This paper examines the place of the strategic choice perspective in the study of organizations and considers its contemporary contribution. The main features of the original analysis are summarized, followed by a review of the key issues which arise from it. The paper discusses the integrative potential of strategic choice theory within organization studies and examines its contribution to an evolutionary perspective on the subject.

Descriptors: action, environment, evolution, learning, structure, organization

Introduction

The 'strategic choice' perspective was originally advanced as a corrective to the view that the way in which organizations are designed and structured is determined by their operational contingencies (Child 1972). This view overlooked the ways in which the leaders of organizations, whether private or public, were able in practice to influence organizational forms to suit their own preferences. Strategic choice drew attention to the active role of leading groups who had the power to influence the structures of their organizations through an essentially political process. It led to a substantial re-orientation of organizational analysis and stimulated debate on three key issues:

1. the role of agency and choice in organizational analysis,
2. the nature of organizational environment,
3. the relationship between organizational agents and the environment.

Since the intention was to redress an imbalance in organization theory, the exposition of strategic choice at the time contributed to the diversity of perspectives on the subject, along with other emerging approaches such as critical organization theory. Twenty-five years later, the formerly orthodox emphasis on a situationally determined organizational order has become a minority approach, and the field is now extremely diversified with a veritable plethora of competing perspectives, each of which seeks to lead it in different 'new directions' (Reed and Hughes 1992).
There is a growing feeling that something must be done to pull together the different perspectives on organizations if progress in the subject is to be made (e.g. Reed 1985; Aldrich 1992). The view adopted in this paper is that, while different theoretical perspectives or paradigms may be irreconcilable in their own philosophical terms, when applied to the study of organizational phenomena they are not necessarily incommensurable. In other words, it does not follow from the attachment of quite different meanings to the same concept, or of different interpretations to the nature of organizational relationships, that reference is being made to wholly different phenomena. In that case, without an attempt to draw upon, and even to reconcile, the insights offered by its various perspectives, organization studies will run a serious risk of becoming little more than an arena of 'clashing cymbals' (or indeed symbols), making little real theoretical advance and having nothing useful to say for practice either.

A contemporary contribution of strategic choice analysis derives from its potential to integrate some of the different perspectives in organization studies. This integrative potential derives from the fact that strategic choice articulates a political process, which brings agency and structure into tension and locates them within a significant context. It regards both the relation of agency to structure and to environment as dynamic in nature. In so doing, the strategic choice approach not only bridges a number of competing perspectives but also adopts a non-deterministic and potentially evolutionary position. Strategic choice, when considered as a process, points to the possibility of a continuing adaptive learning cycle, but within a theoretical framework that locates 'organizational learning' within the context of organizations as socio-political systems. Strategic choice is thus consistent with a model of organizations in which organizational learning and adaptation proceed towards not wholly predictable outcomes within the shifting forces of organizational politics. This model finds some resonance in the new evolutionary political economy that bids to revitalize micro-economics.

The following section summarizes the main features of the original strategic choice analysis. The second section then considers the key issues arising from this analysis and how they have been interpreted. The third section explores the integrative potential of strategic choice analysis within the contemporary study of organizations. The fourth section discusses how the dynamics of strategic choice in regard to action, structure and environment can inform current thinking on organizational evolution.

**Strategic Choice Analysis**

By the early 1970s, organization studies had seen the completion of several major research programmes which investigated the components of organizational structure and their relationships with situational vari-
ables (‘context’) on a systematic comparative basis (e.g. Blau and Schonherr 1971; Hall 1962; Pugh et al. 1968, 1969). The mode of research was cross-sectional and positivistic, involving the statistical examination of associations between phenomena which were regarded as objective in nature. The processes accounting for any statistical correlation were left to be inferred. The inferences which were being drawn reflected the predominant theoretical orientation at the time, which was one of structural determinism. This assumed that what the Aston school termed ‘contextual’ factors, especially size, technology and ownership, imposed certain constraints upon the structural choices managers could make without incurring unacceptable performance costs (Pugh et al. 1963). The general argument was that ‘if organizational structure is not adapted to its context, then opportunities are lost, costs rise, and the maintenance of the organization is threatened’ (Child 1972: 8).

Burrell and Morgan (1979) placed this theoretical orientation squarely within the ‘functionalist’ paradigm and there are continuities with it in several contemporary approaches, namely the strategic contingencies perspective (Donaldson 1985, 1995), the ecological approach (Hannan and Freeman 1989), and the institutional perspective (Powell and DiMaggio 1991). The first stresses the functional importance for organizational performance of matching internal organizational capabilities to external conditions, and regards this as a key strategic issue. The second considers that units which do not have organizational forms characteristic of their sector or ‘niche’ have a poorer chance of survival; its focus is primarily on organizational populations and it gives little attention to how decision-makers might endeavour to adapt to the environment. The institutional perspective is a rather ‘broader church’, but most of its adherents find common ground in the assumption that the structural forms (as well as the identities and values sustaining these) of relevant external institutions map themselves onto organizations which depend on them for legitimacy, resourcing or staffing. All of these contemporary approaches therefore regard environmental conditions as ultimately determining of organizational characteristics. Put simply, they stress environmental selection rather than selection of the environment.

Consideration of strategic choice led to the conclusion that this deterministic view was inadequate because of its failure ‘to give due attention to the agency of choice by whoever have the power to direct the organization’ (Child 1972: 2). ‘Strategic choice’ was defined as the process whereby power-holders within organizations decide upon courses of strategic action. (Such action could be directed towards different targets, though the 1972 paper focused on the design of an organization’s structure). ‘Strategic choice’ extends to the environment within which the organization is operating, to the standards of performance against which the pressure of economic constraints has to be evaluated, and to the design of the organization’s structure itself’ (ibid). Strategic choices were seen to be made through initiatives within the
network of internal and external organizational relationships — through *pro-action* as well as *re-action*. It was assumed that effective strategic choice required the exercise of power and was therefore an essentially *political* phenomenon:

‘Incorporation of the process whereby strategic decisions are made directs attention onto the degree of choice which can be exercised . . . . whereas many available models direct attention exclusively onto the constraints involved. They imply in this way that organizational behaviour can only be understood by reference to functional imperatives rather than to political action.’ (1972: 2)

Statements such as that just quoted identified the need for a corrective to, rather than an outright rejection of, the prevailing paradigm. Indeed, they implied a *potential synthesis* between the political process and functionalist perspectives, because the power available to decision-makers was seen to be accountable in terms of the consequences for organizational performance that flowed from its exercise. Those accorded the authority to make decisions were, in effect, exercising organizational property rights which were conditional rather than absolute. It was therefore assumed that such actors would take the consequences of their actions quite seriously. They would make some assessment of those consequences, conditioned by factors such as their knowledge, understanding and prior preferences, which would then enter as informational inputs into their subsequent thinking and decision making. The model towards which strategic choice analysis led would therefore:

‘direct our attention towards those who possess the power to decide upon an organization’s structural rationale, towards the limits upon that power imposed by the operational context, and towards the process of assessing constraints and opportunities against values in deciding organizational strategies.’ (Child 1972: 13)

The 1972 paper offered the outline of a processual model under the title of ‘the role of strategic choice in a theory of organization’. This model is reproduced as Figure 1. It locates strategic choice within the organizational context and, through the feedback of information to decision makers, depicts the conditions for what today some would call an *organizational learning process*. Since the discussion in the two last sections of this article will refer to the model, a brief explanation now follows.

In the model, the exercise of strategic choice by organizational decision-makers refers to a process in which the first stage is their evaluation of the organization’s position — the expectations placed on it by external resource providers, the trend of relevant external events, the organization’s recent performance, how comfortable the decision-makers are with its internal configuration, and so on. Their prior values, experience
Figure 1. The Role of Strategic Choice in a Theory of Organization
(This diagram first appeared in Sociology 6/1:18 (1972). Reprinted with full permission from Sociology.)
and training are assumed to colour this evaluation in some degree. A choice of objectives for the organization is assumed to follow on from this evaluation, and to be reflected in the strategic actions decided on. This process is, in practice, often formalized into an annual planning round and/or procedure for making capital expenditure, which usually appears to be accompanied by considerable informal lobbying and negotiation (cf. Lu and Heard 1995).

Externally oriented actions may include a move into or out of given markets or areas of activity in order to try and secure a favourable demand or response that will be expressed by a high consumer valuation of the organization's products or services. They could also include attempts to negotiate the terms of acceptable organizational performance with external resource-providers or institutions holding sanction over the organization, though this possibility was not considered in the 1972 paper. Rather common examples occur when companies go to banks for substantial loans and when they seek permission to erect new processing facilities that have an environmental impact. Internally oriented actions may involve an attempt, within the limits of resource availability and indivisibility, to establish a configuration of personnel, technologies and work organization which is both internally consistent and compatible with the scale and nature of the operations planned. The 'goodness of fit' that is, in the event, achieved is seen to determine the level of efficiency expressed by output in relation to costs. The conjunction of efficiency with external demand will determine the organization's overall level of performance. Performance achieved becomes, in turn, a significant informational input to the organization's decision-makers when they next make an evaluation of the organization's position. Thus, a circular and potentially evolutionary process is established.

Key Issues Arising from Strategic Choice Analysis

The earlier exposition of strategic choice gave some attention to the choice of internal organization with reference to the 'contextual' parameters of size and technology; how, for example, formalization could be a response to increasing scale. It was, however, more fundamentally concerned with the relationship between agency and environment. The ability of decision-makers ('agents') to make a 'choice' between policies was seen to depend ultimately upon how far they could preserve autonomy within the environment, through achieving the levels of performance expected of them. The term 'strategic' was used to signify matters of importance to an organization as a whole, particularly those bearing upon its ability to prosper within an environment where it faces competition or the need to maintain its credibility. It is closely related to the idea of 'stratagem', which is a way of attempting to accomplish an objective in interaction with, or against, others. The three key issues arising from strategic choice analysis therefore concern (1) the nature
of agency and choice, (2) the nature of environment, and (3) the nature of the relationship between organizational agents and the environment.

Agency and Choice

The problem of human agency’ has had a continuing intellectual significance in the social sciences. It has been regarded as problematic because of the ‘dismal paradox that human agency becomes human bondage because of the very nature of human agency’ (Dawe 1979: 398). That is, human beings have succeeded during the course of their history in creating socially-organized systems which then limit further exercise of human agency, even to the point of determining human action. Such organized constraint acts both upon individuals and organizations. The forms it takes include culture, which Hofstede (1980) has described as ‘collective mental programming’, institutionalized norms for socially approved action — often prescribed in laws, and the constraining bureaucracies of government and big business. While the derivation of each of these forms is external to any one person or group of people, cultural values and institutional norms can become internalized so that they act to constrain choice primarily through the social actor’s own interpretative mechanisms rather than through constraints which are ostensibly imposed from outside. For example, the management of many organizations have banned smoking within their buildings although there is no law obliging them to do so.

Whittington (1988) developed the distinction between external and internal forms of constraint, with the intention of thereby refining strategic choice analysis. He pointed out that the initial impact of the strategic choice concept had been to encourage analysts to dichotomize perspectives on organization between those which focus on agency (the ‘voluntaristic’ approach) and those which emphasize determinism (e.g. Astley and Van de Ven 1983). Whittington considered this to be too simple, since it implies that all the constraints on agency are external. It therefore ‘appears to offer a simple solution to the problem of strategic choice. All that is necessary for strategic choice is to dissolve away environmental constraint’ (ibid: 522). The dichotomous approach tended to ignore the preconditions for exercising agency, and the possibility that actors themselves may not have sufficient capacities for exercising choice could also be overlooked. This reasoning led Whittington, following Elster (1984), to distinguish between ‘environmental determinism’ and ‘action determinism’.

Action determinism refers to the possibility that ‘actions are selected according to in-built preference and information processing systems [of the actors]’ (Whittington 1988: 524). It qualifies the simple assumption that organizational actors can exercise choice once external constraints are removed. Action determinism, defined in this way, draws attention to the mechanisms used by actors in deciding what to do. It holds that, given certain types of drive, such as an over-riding intention to maximize a firm’s profits, a decision-maker will only select one kind of action.
In other words, 'the simple single-mindedness of the actor's internal mechanisms deny any genuine choice between alternatives' (ibid: 523).

The concept of action determinism draws attention to the relevance of predetermined mind-sets for the interpretative process which takes place when strategic choice is exercised and it accounts for how these could limit the range of choices recognized and considered. It points to the significance of managerial cognition, and of the factors shaping it, for an understanding of the strategic-choice process in organizations, a subject which has attracted a growing body of research in recent years (e.g. Barnes 1984; Huff 1990; Stubbert 1989; Spender 1989). Spender, for example, showed how managers in particular industries may share a common set of strategic ‘recipes’ — assumptions as to the priorities and actions appropriate for performing well in their industry — which can become embedded to the extent of inhibiting an innovative response to changing competitive conditions. This phenomenon is illustrated by the difficulties which the managers of the clothing firm, Foster Brothers, had in adjusting to a new competitive situation at the beginning of the 1980s (Johnson 1987). In other words, the basic beliefs, or mind set, of the strategic actor tend towards stability, and this inhibits the making of strategic choices which are adaptive to new circumstances. North (1996) has similarly argued that economic theories of choice need to incorporate insights from cognitive psychology.

Behaviour of this kind corresponds to what Dutton (1993: 340) terms ‘unreflective or automatic strategic issue diagnosis’ [italics in original]. Strategic issue diagnosis [SID] describes the cognitive process through which decision-makers form interpretations about organizational events, developments and trends. Dutton assumes this to be an individual-level phenomenon, but it could also characterize ‘group-think’ (Janis 1982). Automatic SID involves ‘the activation of ready-made issue categories in the minds of decision-makers that have been built from encounters with issues in the past . . . Classification of an issue into a ready-made cognitive category reduces the amount of thought applied to the issue and activates a set of scripted responses’ (p. 341). This reliance on an established set of cognitive routines is an attempt to reduce complexity rather than to absorb and internalize it, and it amounts to the application of routinized past-learning to conditions whose novelty may render such learning redundant.

Automatic SID depicts the determination of action by in-built cognitive structures, and Dutton argues that the conditions operating in organizations make this the most prevalent form of SID. She does, however, identify another form — reflective or active SID — which ‘is intentional and conscious, involving a much greater degree of information search and analysis. In this mode, decision-makers may uncover multiple interpretations for the issue’ (p. 342). The factors she hypothesizes as determinants of the propensity towards automatic SID operate primarily through psychological processes and include familiarity with the
issue, personal relevance of the issue to the decision-maker, time pressure, information load, the handling of issues by specialists, strong organizational norms for consistency, and the reinforcement of routine interpretations and actions by past success. Despite the heavy analytical reliance on individual psychological mechanisms, the potential for the intra-organizational political process also to contribute to the degree of awareness of choice, and hence active SID, is evident in Dutton's inclusion of factors such as the extent of reliance on specialist judgement, embedded organizational routines, and norms for consistency. The original analysis of strategic choice postulated that decision-makers' cognitive evaluations of the situation would be shaped by their 'prior ideology', and this drew attention to the ways that class, occupational and national socialization may shape managerial beliefs about action choices. Research among top U.K. business decision-makers indicated the relevance of this perspective (Fidler 1980; Scott 1985). The role of the normative constituents of ideology has more recently been explored by sociologists interested in how institutions can frame the evaluations of organizational members as to what constitutes appropriate structures and behaviours, and hence determine the choices they make (e.g. Powell and DiMaggio 1991; Scott 1995).

The 'demography' of top management teams, such as the age and educational level of their members, has also been found to exert an influence on the extent to which companies initiate strategic change (e.g. Wiersema and Bantel 1992). Age and education, although they locate people within social categories which can generate common identities and beliefs, are likely to affect action determinism not only through the medium of ideology but also through competence. Thus, other things being equal, one would expect a young, highly educated person to be more aware of and/or to seek out a wider range of action alternatives than would an older, poorly educated person. Individual competence, especially the ability to handle cognitive complexity (Streufert and Swezey 1986), pushes back limits on the exercise of choice by organizational agents.

The introduction of action determinism enriches the analysis of strategic choice because it focuses attention onto the characteristics of key organizational actors themselves, which may foreclose the degree of choice that they exercise, even in the absence of external constraints. It complements the political process perspective present in the original exposition of strategic choice, which assumed that limitations on action choices not arising from outside the organization were derived from its internal politics. The political process perspective drew attention to what would be collectively acceptable within the 'dominant' decision making group, or acceptable to the organization's wider body of employees or members, and it allowed for an internal negotiation process through which there could be a coalescence of diverse initial action preferences into an agreed policy. The notion of action determinism
draws attention to the prior factors which shape the mind-sets of key actors. Its application in research promises to shed light on how firmly beliefs are held by actors as they enter into discussions and negotiations with others in the organization, and how flexible they will be in modifying their beliefs in the light of the pressures of contrary opinion and evidence (cf. Abell 1975).

The emphasis among members of the Carnegie School on what they called the ‘boundedness’ of rationality (March and Simon 1958), the costs of and limits to information processing (Cyert and March 1963; Quinn 1980) and the role of ambiguity in organizational decision processes (March and Olsen 1976), draws attention to the relevance of information for the exercise of strategic choice. Action determinism can lead to an unwillingness to consider information that does not fit preconceived ideas, but the scarcity of information as a resource can also inhibit the range of choices considered. There are two issues to note here. The first concerns the problem of securing relevant information that is timely, in an analyzable form and not prohibitively expensive. The second concerns the problem of coping with information that is ambiguous, of questionable reliability and incomplete. Decision-making, especially of the non-routine kind considered within strategic choice analysis, is thus liable to be conducted with uncertainty. The degree of choice will therefore be limited not only by action determinism and the constraints of intra-organizational political process; it will also be inhibited by limited and/or ambiguous information.

The three phenomena — action determinism, political process, and imperfect information — are likely to react upon each other. The foreclosing of options through action determinism is one way of coping with uncertainty — the actor ‘enacts’ the situation in his or her terms instead and is not troubled by externalities. If this behaviour predominates, it is likely to heighten the political process, either between key actors themselves if they hold divergent beliefs and/or between closed-minded actors and the rest of the organization. A lively political process around the making of strategic organizational decisions will, of itself, generate greater uncertainty, at least as to how information should be interpreted.

In short, limitations to agency and choice may arise from action determinism, intra-organizational political process and informational deficiencies. The identification of these limitations carries the original concept of strategic choice forward, since they highlight the constraints upon choice additional to those which are imposed by an organization’s environment. This is not to deny that these actor-related phenomena are to some extent the product of environmental conditions — the quality of information and institutionally derived cognitive framing clearly are. It is, rather, to distinguish between the various internal processes which would tend to differentiate the strategic choices made for organizations located within the same environment.
Environment

It is not possible to abstract from the environment when considering the strategic choices available to organizational actors. This is partly because the environment presents threats and opportunities for the organization which establish the parameters of choice. It is also because the ways in which organizational actors understand the environment affect the extent to which they believe they enjoy an autonomy of choice between alternatives.

Strategic choice analysis recognizes both a pro-active and a re-active aspect in organizational decision making vis-à-vis the environment. Organizational agents are seen to enjoy a kind of 'bounded' autonomy. They can take external initiatives, including the choice to enter and exit environments, and also make adaptive internal arrangements. At the same time, the environment within which they are operating is seen to limit their scope for action because it imposes certain conditions for their organizations to perform well. It is assumed that organizational actors will themselves have a similar understanding of the environment, because this is what experience teaches them.

Weick (1969) maintains that people in organizations 'enact' their environments. This can be interpreted in two ways. The first is that people can only be aware of a literally all-embracing concept like 'the environment' in terms of how they enact it in their minds. Organizational actors therefore necessarily respond to their own subjective definitions of the environment. This interpretation is fundamental to strategic choice analysis and indeed to any view of organizations that admits of human agency. The second interpretation is that people in organizations can enact the environment in the sense of 'making it happen as they wish'.

A very qualified form of this second interpretation informed the original description of the strategic choice that could be exercised by organizational decision-makers:

'to an important extent, their decisions as to where the organization's operations shall be located, the clientele it shall serve, or the types of employees it shall recruit determine the limits to its environment — that is, to the environment significant for the functions which the organization performs.' (Child 1972:10)

The possibility of environmental enactment is here limited to the selection of environments in which to operate, and even this decision cannot necessarily be entered into lightly or frequently since it may incur large entry and exit costs. Enactment in strategic choice analysis thus refers mainly to actions which bring certain environments into relevance — which introduce them onto the organizational stage. Once entered, the conditions of an environment assume objective properties which are consequential for an organization, however much they are filtered by a subjective interpretation or (as we discuss below) negotiated through interaction between internal and external actors. The level of control
which managers can effect over their organization's environment is always liable to be limited by the countervailing powers of institutions, as telecommunication companies found under previously regulatory regimes, and/or by the possibility of new competition, as former market leaders like IBM have experienced.

The interpretative view contained within strategic choice analysis sees the decision-maker entering into interaction with people outside the organization, but it does not conceive of the two forming an identity either objectively or in the minds of organizational actors. What strategic actors are interpreting, albeit within the cognitive and informational limits discussed earlier, exists apart from them. A person or organization does not constitute its environment; the environment consists of other actors in other organizations or among the public, and it cannot be reduced to the subjective interpretations of any one group of organizational players. Some writers have pursued Weick's argument to the point of maintaining that environments are wholly enacted through the social construction of actors (e.g. Smircich and Stubbart 1985). This is to apply an extreme form of actor voluntarism to the concept of strategic choice. Rather, the emphasis on human agency and subjective interpretation contained in strategic choice analysis was intended to counteract the theoretical shallowness and inherent pessimism of environmental determinism, not to reduce either organization or environment to being simply the products of a subjective understanding.

When the original article was written at the beginning of the 1970s, a 'task environment' view predominated, which focused on economic and technological variables. These were generally treated as impersonal factors such as market demand or the rate of technological change, and were quite distinct from the organizations for which they were relevant. Today, we are much more conscious of the social network properties of organizations and their contexts (Nohria and Eccles 1992). The growth of organizational networks and collaborative arrangements between organizations shows that it is not necessarily meaningful to look for clear and fixed boundaries to organizations. Rather, what used to be called boundary relationships are now often conducted through sets of arrangements which are themselves organized. An appropriate contemporary extension of strategic choice analysis would take this into account. It would continue, on the one hand, to maintain that environments have properties which cannot simply be enacted by organizational actors. This poses to those actors the question of whether they can select the most attractive environment in which to operate. However, it would recognize, on the other hand, that the implications of some environmental properties may be negotiable through social interaction between organizational actors and their external contacts. Attention to the ways in which actors seek to realize their goals through selection between environments needs to be complemented by attention to the ways they may seek to attain their objectives through mutual
accommodation and collaboration with the parties within an existing environment.

Strategic choice analysis thus incorporates both subjectivist and objectivist perspectives on organizational environment. This dualism does not result only from identifying organizational decision-makers’ subjective evaluations of the environment as a critical link between its objective features and organizational action, though that is an important element in it. It also reflects a recognition that organizational actors do not necessarily, or even typically, deal with an ‘environment’ at arm’s length through the impersonal transactions of classical market analysis, but, on the contrary, often engage in relationships with external parties that are sufficiently close and long-standing as to lend a mutually pervasive character to organization and environment. This indicates that the environment of organizations has an institutional character and, indeed, that people inside and outside the formal limits of an organization may share institutionalized norms and relationships. The ‘environment’ contains cultural and relational dimensions in addition to the ‘task’ and market variables identified respectively by strategic contingencies and economic theories. This is particularly true of organizations in personal service sectors such as health care, but it has been noted in other forms as a characteristic of East-Asian business systems (Whitley 1992). Douglas (1987) expressed the dualism of the personally subjective and the institutionally objective in the following incisive way:

‘For better or worse, individuals really do share their thoughts and they do to some extent harmonize their preferences, and they have no other way to make the big decisions except within the scope of institutions they build.’

(p. 128)

The notion of ‘strategic group’ has frequently been used to denote a group of firms within the same industry which make similar strategic decisions, and which enter into similar constellations of upstream and downstream transactional relationships (McGee and Thomas 1986). While critics have questioned the extent to which strategic groups exist and the significance of strategic-group membership for a firm’s performance (Barney and Hoskisson 1990), there is a growing body of evidence indicating that the managers of different firms within an industry do share perceptions and cognitive maps and that these are enacted through common environmental relationships (Bogner and Thomas 1993; Reger and Huff 1993). This is consistent with a view that corporate environments are themselves social organizations, which exhibit a degree of cohesion around a shared identity.

The concept of ‘firm-in-sector’ emphasizes the interaction between environments and their constituent organizations (Child and Smith 1987). They both shape and are, to some extent, shaped by each of these organizations, a process which has proceeded historically in the field of business as firms became embedded within increasingly institutionalized
and internationalized sectors. Each sector has an economic dimension signified primarily by markets and the players in them; a cultural dimension signified primarily by a set of shared prescriptions and a common identity; and a relational dimension signified by networks between members of the organizations within the sector, including governmental agencies with responsibilities bearing on the sector such as the Ministry of Agriculture and Fisheries in the U.K. This conception of the organizational environment as socially structured helps to clarify two long-standing issues in the relationship between organizational agents and the environment which arise from strategic choice analysis, namely (1) whether or not the environment is constraining or enabling and (2) how externalized the environment actually is.

Organizational Agents and the Environment
Whittington (1988) criticizes environmental determinism in which exogenous structural constraints are assumed necessarily to limit and regulate the actions that can be taken by organizational decision-makers. This point is consistent with the strategic choice argument, which drew attention to various possibilities allowing for choice on the part of organizational actors, without their incurring intolerable penalties. Whittington argues that the social structuring of environments can be enabling as well as constraining for strategic choice. For instance, organizational actors who are members of a professional occupation and bound by norms of appropriate conduct may thereby be externally constrained in their actions, whereas owner-managers supported by entrepreneurial ideologies and the rights of capitalist ownership may thereby be externally enabled to consider a wider range of action alternatives.

A more extended consideration of the enabling and constraining features of the environment is similarly encouraged by the sectorial concept of environment just described. This indicates how, for instance, long-standing relationships between members of the same sector, structured within industry associations, can furnish a basis for concerted action on matters of common interest such as political lobbying. It may also show how the sharing of sector-specific strategic recipes (Spender 1989) can facilitate the interpretation of the environment by a firm’s managers. At the same time, the cultural and relational norms within a sector are likely to constrain organizational actors who seek to diverge from them. For example, divergence from normal strategic recipes may be perceived as risky by members of the capital market familiar with the sector, with the result that they impose a premium on its cost of raising external funds. Thus, while the social nature of an organization’s environment will act, under some circumstances, as a constraint upon action, even to the point of determining it, it can also enable action and widen the range of available strategic alternatives. It is a misleading oversimplification to treat the environment simply as an external determinant of organizational action.
This was recognized by Pfeffer and Salancik (1978) when they developed the resource dependence perspective on the external control of organizations. This perspective builds upon Emerson’s (1962) observation that dependency in a social relation is the reverse of power. It identifies command of critical resources as the basis for inter-organizational power. In advancing the resource-dependence perspective, Pfeffer and Salancik argued that the ability of external parties to command resources which are vital for the operations of an organization gives those parties power over it. They do, however, recognize that organizational leaders can take steps to manage, and even reduce, their dependence on external parties, and this is an insight which Pfeffer has more recently expanded in his Managing with Power (1992). Hardy (1996: S6) similarly argued that ‘power is an integral part of strategic change’ whether it is used to combat resistance to the strategic intentions of the dominant group or to facilitate collaborative action when the parties concerned hold common goals.

Within the literature on international joint ventures, the so-called bargaining power perspective suggests that the implications of a resource dependence by weaker joint-venture partners upon stronger ones may be mediated by the bargaining capabilities of those partners (Fagre and Wells 1982; Lecraw 1984). This perspective posits that partners can negotiate for a level of joint-venture control, ‘given the assets that they command and perhaps general trends that may or may not be currently in their favour’ (Blodgett 1991: 64). While much of the bargaining power available to prospective partners is likely to arise from their command of significant resources in the first place, as the quotation admits, this perspective also allows for an element of negotiated indeterminacy in the extent to which the command of resources leads to control. In particular, like Pfeffer and Salancik, it acknowledges that, even in conditions of resource dependency, skilful negotiation and use of other favourable circumstances, such as the ability to appeal to regulatory bodies, may offset the constraints that would otherwise be potentially imposed by resource dependency. Bargaining power thus denotes the potential for strategic choice.

The concept of an organizational environment as a social network also raises doubts about how externalized it really is from its constituent organizations. The distinction between organization and environment contained in the original strategic choice article (1972) has to be softened by a recognition that organizational actors often create choice possibilities through their relationships with people who are formally outside the organization. They may, for example, be able to secure from officials with whom a good relationship has been developed a rather more liberal interpretation of environmental controls, especially in countries like China where the application of regulations is open to a flexible interpretation. Organization and environment are becoming inter-penetrated through collaboration between actors in such a way as to diffuse the distinction between the two entities and, incidentally, to
blur the distinction between ‘firm’ and ‘market’. With the rapid growth of collaborative relationships between organizations, in the form of joint ventures and other strategic alliances (Lorange and Roos 1992), this inter-penetration assumes a fully operational form. It is, of course, qualified by the terms on which the parties can agree to co-operate and by how far they can identify mutual complementarities. Such alliances can indeed be unstable, and many survive for only a limited period. Nevertheless, they constitute an increasingly important arrangement through which part of the relevant environment is internalized, often with the motive of affording greater control over, or access to, other areas of the environment (such as markets) in a bid to extend strategic choice. Airbus Industries furnishes a prominent example (Dussauge and Garrette 1993).

Strategic choice analysis therefore allows for the objective presence of environments while, at the same time, it recognizes that organizations and environments are mutually pervasive. This pervasiveness occurs in two main ways. The first is through the interpretation of environments as being consequential for organizational action. The second is through the relationships that extend across an organization’s ‘boundaries’. It takes the very definition of those boundaries to be largely the consequence of ‘the kinds of relationships which its decision-makers choose to enter upon with their equivalents in other organizations, or ... the constraints which more dominant counterparts impose upon them’ (Child 1972: 10). Organization and environment therefore permeate one another both cognitively and relationally — that is, both in the minds of actors and in the process of conducting relationships between the two.

For some time, the concept of strategic choice was misleadingly interpreted as justifying a sharp distinction between organizational agency and organizational environment, with the former emphasized by voluntaristic perspectives and the latter by deterministic approaches (see the comprehensive review by Astley and Van de Ven 1983). Strategic choice was associated with an absence of external determination, an assumption maintained even in later analyses which explored the possibility of different combinations of choice and determinism (e.g. Hrebiniak and Joyce 1985). This is understandable, given the intention of the 1972 article to critique the then prevailing dominance of determinism, but it overlooked that article’s statement that organizational decision-makers also find themselves in a position of having to respond to feedback from the environment if their organizations are not to risk severe market and institutional penalties. In turn, this feedback may provide them with a learning opportunity which brings to light new action choices, but the process overall was seen as an interactive one between organizational agents and the environment, and, in effect, between choice and constraint.

This interactive view is one which writers on strategic management have generally adopted, exemplified by the influential study of U.S.
firms and hospitals conducted in the 1970s by Miles and Snow (1978). They recognized how strategic choice analysis identified the ongoing relationship between organizational agents and the environment, giving rise to what they termed 'the adaptive cycle':

'The strategic-choice approach essentially argues that the effectiveness of organizational adaptation hinges on the dominant coalition's perceptions of environmental conditions and the decisions it makes concerning how the organization will cope with these conditions.' (Miles and Snow 1978: 21)

From their investigation, Miles and Snow concluded that the policies which organizational agents adopted towards the environment could be placed into the four generic categories of 'defender', 'prospector', 'analyzer' and 'reactor'. This categorization was an important refinement of the strategic choice concept.

Bourgeois (1984), in similar vein, argued for a view of strategic management as a creative activity which is intrinsic to a dialectic between choice and constraint: 'so, though environmental and internal forces act as constraints, strategy making often selects and later modifies the sets of constraints' (p. 593). Hambrick and Finkelstein (1987) developed and explored the concept of chief executive discretion, defined as 'latitude of action'. They argued that this concept reconciled polar views of organizations as either inertial or highly adaptive. Their premise was that chief executives vary in how much discretion they possess and that this variation is due to a combination of (1) factors in the environment, (2) organizational characteristics which promote inertia (such as size, age and culture), and (3) the chief executive's own attributes. While Hambrick and Finkelstein identify discrete factors in this way, rather than the processes and relationships through which choice and constraint work themselves out, they point to the influences which might enter interactively into the process.

More recently, Neergaard (1992) has developed a 'partial contingency model'. This recognizes that the nature of the environment, such as its levels of dynamism and complexity, can impact upon the internal control systems which it is functional for an organization to adopt. At the same time, the model also recognizes that environmental management is possible through two main strategies which (borrowing from previous writers) Neergaard calls 'buffering' and 'bridging'. Through buffering, managers aim to protect their core activities from external influences — examples include stockpiling, attempts to reduce input and output fluctuations such as marketing campaigns, and public relations activities. With bridging, managers endeavour to manage their environments through various forms of negotiation, co-operation, exchange of information and other forms of reciprocity. Neergaard illustrates through case studies from Denmark how environmental management has a direct bearing on the type and degree of organizational control that it is necessary to adopt. His conclusion, in effect, reiterates the basic strategic choice argument: 'Only by studying the interplay
between environment and environmental management is it possible to gain a more full understanding of different controls [i.e. internal organization]’ (p. 29).

Strategic choice is recognized and realized through a process whereby those with the power to make decisions for the organization interact among themselves (so constituting a shifting ‘dominant coalition’), with other organizational members and with external parties. Analytical centrality is given to organizational agents’ interpretations (their goals and views of the possibilities for realizing them) as they engage in these relationships. This is to say that organization, as a social order, is the subject of adjustment through negotiation on a continuing, though not necessarily continual, basis (cf. Strauss 1978). At any one point in time the possibilities for this negotiation are framed by existing structures, both within and without the organization. The use of ‘framing’ here is intended to convey a sense that the issues and options open to negotiation by actors have some structured limits, though it may be possible to change the limits themselves over time through the negotiation process. Structures within the organization include the channels through which relevant information is obtained and processed, and formalized policies which define action priorities for the organization. External structures include the configuration of competitor organizations within the organization’s operating domain, that of its suppliers and customers, and the regulations and other institutional obligations relevant to its activities.

The strategic choice perspective in organizational analysis conceives of action being informed by the prior cognitive ‘framing’ of actors and of organizations in the form of embedded routines and cultures (Bartunek 1988). Elements of action and organizational determination arise in this way. At the same time, however, re-framing takes place at a level of intensity which is likely to vary depending on environmental circumstances, the characteristics of key actors, and the interplay between both. Strategic choice as a process thus furnishes an example of ‘structuration’ (Giddens 1984). That is, action is bounded by the cognitive, material and relational structures existing within organizations and their networks, but at the same time it impacts upon those structures. Through their actions, agents endeavour to modify and redefine structures in ways that will admit of different possibilities for future action. The process is a continuing one. Strategic choice thus presents a dynamic rather than a static perspective on organizations and their environments. In keeping with structuration theory, it also addresses the so-called problem of levels of analysis. For while the actions taken in the name of organizations are driven by individuals and therefore draw for some of their explanation on individual motivations, they are organizational both in how they are represented and in the resources and relationships which are activated. When these actions become a constituent element in the relations between an organization and external bodies, they move onto an even higher level of social process. The
consequences of this process for the organization, which strategic choice analysis depicts as being transmitted to it through a feedback of information on its performance and external standing, are social in origin but may be interpreted in some circumstances by individual actors primarily in terms of their own personal values or priorities.

Strategic choice analysis admits of a role for the individual organizational actor (qua entrepreneur), assumes that actors will more often constitute a collective (qua dominant coalition), and treats the cycle of action and response as one that is environmentally and therefore socially contextualized. It does not regard the wider social arena simply as a constraining or defining context for lower-order units of analysis like groups and individuals, as did, for instance, the founders of the influential Aston Programme of organizational research in their original ‘conceptual framework’ (Pugh et al. 1963). Nor does it do the opposite and treat action as explicable only by reference to individuals and their understanding of the situation. Rather, its conception of agency entering into a cycle of organizational development within an environment cuts across these levels of analysis and in this respect helps to bridge what has sometimes been a source of division among theorists of organization.

The following section examines how these characteristics of strategic choice analysis — its recognition of the interaction between agency and structure, and the recursive nature of organizational development — can contribute to the challenge of constructively reconciling different paradigms.

**Strategic Choice and Paradigm Commensurability**

It is significant that the classification of paradigms within organization studies which has attracted the most attention (Burrell and Morgan 1979) did not attempt to allocate strategic choice analysis to any of its categories. Its authors claimed that the four main paradigms they identified through the conjunction of two classificatory dimensions (subjective/objective, and orientation to radical change/orientation to regulation) were mutually exclusive, a claim which has contributed substantially to present divisions in the subject area. Strategic choice analysis, by contrast, cannot be contained within any one of these paradigms, for it bridges and potentially integrates them. Burrell and Morgan’s assertion of ‘incommensurability’ between the four paradigms generated considerable debate during the 1980s. Its exponents were often motivated by the desire to assert the validity of theoretical positions other than the functionalist paradigm, which was identified as objectivist and concerned with regulation. They considered that the latter had come to exert a theoretical imperialism through its dominance within educational institutions, especially business schools.
The functionalist paradigm claimed that there are certain imperatives for organizational design, the presence of which can be demonstrated through the empirical investigation of phenomena which it assumed had an objective existence as variables of structure, performance and environment. The assertion of paradigm incommensurability was a way of casting off functionalism from other streams of theoretical discourse. This outright rejection of functionalism, however, fails to acknowledge that it has made any contribution to our understanding of organization, and certainly does not encourage its constructive reform. From the other side, a total defence of functionalism such as that advanced by Donaldson (1985, 1996), which gives no ground to its critics, also exhibits a belief in paradigm incommensurability and provides little basis for constructive theoretical dialogue.

A number of writers, including Reed (1985), Alvesson (1987) and Ackroyd (1992), have concluded that belief in the incommensurate nature of paradigms severely limits the possibilities for theoretical development in organization studies. They look instead to the possibility of achieving greater theoretical synthesis using the insights provided by different paradigms. They envisage that a more direct research engagement with organizations would assist the process, an engagement which most advocates of paradigm incommensurability have failed to pursue.

The critique of functionalism by strategic choice analysis was offered in this spirit. It attempted to engage with functionalism rather than reject it wholesale, and did so partly on the basis of reference to empirical organizational experience. Strategic choice analysis would actually be impossible if an assumption of paradigm incommensurability were maintained. It bridges the four paradigms identified by Burrell and Morgan. First, it is concerned both with the ways in which subjective constructions have objective consequences through the actions they inform and with how those consequences subsequently impinge upon future actions both through the subjective interpretations which are given to them and sometimes through force majeure, as with bankruptcy. Cash flow would be one objective indicator of the consequences of previous actions taken within a given context which is, however, open to divergent subjective interpretations as to its sufficiency and implications for further organizational actions. Neither a wholly subjectivist paradigm nor a wholly objectivist one could of itself provide a sufficient theoretical foundation for this process. Monetary items appear at first sight to have become, through their almost total codification, one of the most objectified of organizational phenomena, yet this does not mean that people draw the same action implications from them. It is instructive to recall how Norburn and Grinyer (1973–4) found agreement among the directors of large British companies that profit was the prime objective, yet widespread disagreement as to how profit should actually be measured.
The process of agency in organizations cannot therefore be treated adequately by a perspective that does not incorporate both the subjective and objective features inherent in structuration. There is in organizations a dynamic recursive process of what Nonaka and Takeuchi (1995) have called 'knowledge conversion' between relatively tacit subjective understandings and more explicit and objectively identifiable actions or events, including those in an organization's wider domain or network. The process whereby organizations develop over time necessarily involves (1) subjective constructions of situations informed by objective events and by others' interpretations of them, (2) attempts to translate those subjective constructions into tangible (re)actions, and (3) further interpretation of the consequences those actions have had in a changing context. This is not to assume that this process necessarily goes forward smoothly without disagreements, failures to learn or other obstacles, but rather to assert that it is sufficiently inherent in organizational life not to warrant the neglect to which an assertion of incommensurability between the so-called subjective and objective paradigms gives rise.

Second, it is also impossible to consign strategic choice analysis to either the Burrell/Morgan paradigm of the sociology of regulation or that of radical change. Regulation here refers to organizational governance structures based on property rights and their more specific extensions into organizational structuring. For while the original exposition of strategic choice analysis did tend to assume that dominant members of the organization would act in ways intended to preserve their privileged positions (an aspect of 'regulation'), it does not follow that they will necessarily succeed in so doing. It therefore allows for situations in which organizational change can occur and this change could possibly be quite radical. For example, conditions of crisis occasioned by the failure of an organization to achieve a level of performance in its environment that can meet the expectations of its member groups are likely, according to strategic choice analysis, to give rise to a radical change in the composition of the 'dominant coalition' (for example, through takeover, employee buy-out or election of new leaders in an association or union) with a probable consequent change in the policies and practices instituted for the organization.

Strategic choice analysis also draws attention to conditions under which change is likely to be activated, either by the established decision-makers or by new ones. In the former case, the change will quite possibly be motivated by the desire to preserve certain continuities and thus be conservative, if not regulatory, in character. Changes in organizational policies could be initiated in the desire to maintain the viability of a system of governance and regulation under new circumstances. In the latter case, the change may be motivated by a desire to introduce relatively radical reformulations. The mutual dependence between different groups in an organization nevertheless implies that even a dominant group will have to preserve certain features valued by the others,
as well as relevant competences they possess, when it is endeavouring to introduce change. This gives rise to the paradox of continuity and change in organizational life. Studies of organizational transformation have noted how even apparently radical developments usually incorporate elements of continuity, at least of an ideological nature, in order to increase the acceptability of the changes among those who have to work with them (Pettigrew 1985; Child and Smith 1987). There can be exceptions such as the root-and-branch transformation of the U.S. Post Office Department, an historically embedded bureaucracy, into the commercially-oriented U.S. Postal Service, where the strategic choice to do this was exercised and implemented by external parties (Biggart 1977).

The strategic choice perspective on organizational process thus brings agency and structure into a dynamic tension along the subjective-objective dimension. It locates this relationship within a social context which is significant to the subjective aspect as the source of agents’ values and perceived interests towards the organization (referred to as ‘ideology’ in the 1972 article). It also locates the relationship within an economic or institutional context which is relevant to how an organization performs objectively, for example, in terms of its capacity to attract further resources. The level and type of performance that is achieved in relation to the expectations of those with power over an organization in turn bear upon the question of whether that organization can continue to be ‘regulated’ in accordance with the status quo, or not. This form of analysis draws from insights provided by each of Burrell and Morgan’s four paradigms and offers a bridge between them. It is not, as the role accorded to performance might suggest, a pseudo-functionalist analysis, since it admits that the conditions for organizational survival are open to negotiation between organizational agents and external resource-holders and that the evaluation of performance can be the subject of claim and counter-claim. Like functionalism, strategic choice analysis adopts a position of contextual relativism, but it differs from it in not admitting of incontestable and overriding situational determinants.

In short, one of the contemporary contributions of the strategic choice perspective derives from the way it identifies possibilities for integration between different paradigms. Its rejection of paradigm incommensurability is not intended to open the door to imperialistic claims from any particular theoretical quarter and, indeed, one should recall that the approach grew out of a critique of a then dominant paradigm in organizational analysis. In fact, its position is quite the opposite. The integrative potential of strategic choice analysis stems from the way it is conducive to a recognition of the fundamental paradoxes in organizational life, which both paradigm incommensurability and paradigm imperialism fail to take into account. As Quinn and Cameron (1988) point out, there is a tension within organizational paradoxes — the apparently contradictory, but proximal, aspects of organizational life — that estab-
lishes a dynamic which can transcend them. This tension is inherent in strategic choice analysis.

Organizational Evolution and Learning

The tension associated with the paradoxes of organizational life promotes change and has the potential for stimulating organizational evolution. Strategic choice analysis, with its focus on organizational actors, views the evolution of organizations as a product of actors’ decisions and not just as a passive environmental selection process. Key actors are seen to play a particularly important role in initiating, shaping and directing strategic reorientations towards the environment (Tushman and Romanelli 1985). The strategic choice perspective is therefore consistent with theories of organizational evolution and transformation which incorporate organizational learning as an explanatory factor. It locates learning within organizations and their environments as socially constituted systems (Child and Heavens 1996), and promises a bridge between individual learning and organizational evolution through its attention to the action-structure nexus, and the attendant process of structuration.

The relevance of these considerations for the process of organizational evolution may be illustrated by quoting three of the conclusions drawn from a detailed study of successful organizational transformation in the Cadbury chocolate company:

- 'a lengthy process of recognition preceded transformation. This involved a combination of symbolic and power-relevant activities, namely (a) reframing the definition of relevant contextual conditions and appropriate internal arrangements with (b) the ascension into powerful positions of those advocating new interpretations and solutions.'
- 'competing frames of meaning and recipes for improvement were advanced by actors whose views were conditioned by their training, specialty, and previous experience in the company.'
- 'the traditional and hitherto dominant corporate ideology was not simply a barrier to transformation. Its wide acceptance and cohesion provided a clear position against which the case for change had to be developed. This was easier because the ideology was itself malleable, stressing receptivity to new techniques and intellectual enquiry, and management had been encouraged to proceed in that mode.' (Child and Smith 1987: 590)

Two perspectives, those of ‘organizational learning’ and ‘evolutionary economics’, each have considerable potential to inform a new theory of organizational evolution. There is, however, a sizeable gulf between them which strategic choice analysis has the potential to bridge. The problem is that the organizational learning perspective focuses on the individuals and groups within organizations who learn, but it has difficulties in accounting for how, and under which conditions, that learning is transformed into an organizational property. Evolutionary economic theory, on the other hand, focuses on the market and other external
pressures which present an organization with the need to learn. Some of its exponents have also contributed importantly to our understanding of the organizational properties which learning assumes. These include the embodiment of learning in organizational routines (Cyert and March 1963; Nelson and Winter 1982), and the ways in which current learning can be path dependent upon the knowledge and practices previously created (Nelson 1994). Nevertheless, evolutionary economics continues to beg the question of 'who learns?'. The approach from organizational learning locates the actors who contribute to the evolution of organizations, but it has problems in accounting for how organizations evolve and the forms this takes. Evolutionary theories of the firm are aware of the structural and technological manifestations of evolution, but they are searching for a link from these to the actions and underlying rationales which bring them about. The required theoretical bridge is therefore one between the organizational actors who learn, and the organizational structures and routines which both impact upon and are modified by the learning process. It is in this realm of structuration that strategic choice analysis should be able to make a contribution.

According to Hodgson, the evolutionary approach in economics:

> 'enhances a concern with irreversible and ongoing processes in time; with long-run development rather than short-run marginal adjustments, with qualitative as well as quantitative change; with variety and diversity; with non-equilibrium as well as equilibrium situations; and with the possibility of persistent and systematic error-making and thereby non-optimising behaviour.'
>
>(Hodgson 1996: 1282)

Organizational learning is accorded a central status in the evolutionary theory of the firm, as Nelson makes clear:

> 'firm differences matter importantly regarding issues that traditionally have been the central concern of economists. Competition can be seen as not merely about incentives and pressures to keep prices in line with minimal feasible costs, and to keep firms operating at low costs, but, much more important, about exploring new potentially better ways of doing things.'
>
>(Nelson 1991: 72, emphasis added)

There are, however, two related features of much evolutionary analysis as currently applied at the level of micro-economics, which are seen as problematic from a strategic choice perspective, and which inhibit the incorporation of the learning process. One is the choice of the firm as the unit of analysis and the other is the essentially behaviourist nature of evolutionary theory.

Evolutionary economists treat the firm as their primary unit of analysis, in contrast to many of their neo-classical colleagues who take the market as theirs. They also pay attention to the sedimentation of experience in the form of organizational 'routines' in which are distilled the fruits of previous organizational learning and which make these accessible across the barriers of organizational space and time. In so doing, they take the actor to be the firm. The firm is regarded as a cohesive
organism which learns to adapt or find better ways of doing things essentially in response to its environment. The focus remains on behaviour which optimizes the firm's situation in its environment rather than on initiatives which might also be taken in collaboration or competition with external parties. Thus fitness to the environment (normally taken to be the market) is regarded as the primary selection mechanism determining which firms survive, although Nelson (1994) recognizes the possibility that 'even organizations operating in market environments sometimes have a lot of room for following their own preferences' (p. 129).

Note that 'preferences' are ascribed to organizations. The reification of the organization in this way means that little or no consideration is given to actors within it. Thus the processes whereby learning, adaptation and hence 'evolution' actually take place, and which condition the outcomes, tend to be overlooked. Evolutionary economics has yet to incorporate an understanding of how actors engage with both internally sedimented structures ('routines') and external institutionalized structures in the process of furthering organizational evolution. This engagement amounts to a double (internal and external) structuration process. If the essence of the evolutionary principle is that organisms develop from previous forms and that this development is mediated by the environment, then the strategic choice perspective adds the insight that this development is mediated by a consciously-sought adaptation to, and manipulation of, existing internal structures and environmental conditions. This brings into the picture the competences and the intentions which actors possess to achieve organizational adaptation.

Students of organizational learning are directly concerned with the issue of individual (and sometimes group) competence and its development through knowledge creation. They do not reify the firm or the organization; rather the opposite. Their problem is to find a way of understanding how individuals and groups form part of, and relate to, the wider organizational social system. They face the challenge of explaining how individual learning is translated into enhanced organizational capabilities, and how these are formalized into innovative policies and procedures. Although, following Penrose's pioneering work (1959/95), evolutionary economists recognize 'competence' as a limiting factor for a firm's evolution, they do not reach into the processes whereby competence is legitimized within the political structure of a firm and how this can impinge on whether it is actually used or not. For example, are HRM managers knowledgeable about the design of work organization permitted to join project teams which have the task of recommending how people shall have access to new information technology systems in the course of their work (cf. Child and Loveridge 1990)? The question of how competences enter into organizational adaptation or evolution requires further analysis of a kind to which strategic choice theory can contribute.

Similarly with the question of intentionality. This is largely ignored by
evolutionary economists because they tend to concentrate their attention on essentially behavioural routines rather than on the level of cognition and rationale. Likewise, few discussions of organizational learning address the issue of the goals for learning by organizations and how they are established. They tend simply to treat the establishment of such goals as part of the learning process itself (the ‘double loop learning’ of Argyris and Schön 1978). Evolutionary theories of the firm tend to rely on assumptions of optimization or survival, and in this they join population ecologists and institutionalists in abstracting from the intentions and understanding of key actors (Donaldson 1995). Organizational learning and organizational (firm) evolution make at least implicit reference to success criteria insofar as they regard adaptation as a necessary condition for the survival of organizations. The questions which then arise are, who lays down the success criteria articulated, who evaluates the degree of success achieved, and who decides on subsequent action. With the exception of the lone entrepreneur, these are necessarily collective actions. It is for the same reason problematic to ascribe intentions to the organization. This equally obscures the issue of who is defining these intentions and enacting related decisions. Only a theory of social action within organizations can make sense of how intentionality gives rise to outcomes, and how definitions of success are articulated and applied in the process.

Some economists are adopting an institutional approach which enables them to bring external norms and success-defining bodies into the frame (e.g. North 1990). Institutional analysis (Powell and DiMaggio 1991; Scott 1995) points to ways in which those bodies in society which accord social legitimacy to organizations are thereby contributing to the definition of organizational success criteria. For example, an equal opportunities commission will examine and judge an organization’s success in terms of the fairness of its employment practices. In developed societies there are a large number of such public agencies. Other external bodies which accord material resources to organizations, such as financial institutions, thereby contribute to the definition of other organizational success criteria, such as earnings per share. Social and material resource dependencies of this kind undoubtedly have an influence on the formulation of organizational intentions with respect to the innovations and changes which are contemplated. External bodies on which organizations depend for their survival are in a position to exercise a significant influence on the goals that are set for internal organizational learning and adaptive processes.

Strategic choice analysis offers two particularly useful contributions to the understanding of the process of accommodating to these external performance expectations. First, is the recognition that people in organizations often belong, or have access, to both intra- and extra-organizational social groups. Specialists may belong to professional societies. Managers may be members of governmental working parties or commissions. Companies may share directors with relevant financial
institutions. Second, is the possibility that, through connections such as these, the members of an organization may be able to influence the success criteria which external bodies apply to it. In other words, through the social connections between organizations and environmental bodies, members of the former may be able proactively to join in the formulation of criteria imposed by the latter, as well as to generate a sympathetic climate under which the criteria are activated in practice. The salient aspect of this process is lobbying, but it occurs in many less visible ways.

The relationships between organizational members and those of external bodies are likely to exhibit characteristics of social exchange (Blau 1964). These social networks facilitate the acquisition of knowledge and other resources by organizations and the offering back of desirable goods and services to the outside world. The same networks also permit exchanges of information relevant to the formulation of goals for organizational development and learning. The plurality of these networks, which is especially marked in larger organizations diversified across technological and regional divides, adds grist to the mill of internal political debate and negotiation.

Strategic choice analysis regards such debate and negotiation as integral to decision-making on organizational priorities, policies, structures and actions. In other words, the ways in which openness to new information and knowledge is achieved, an openness regarded by students of the subject as essential to learning in organizations, establishes processes whereby that knowledge is handled within an organization and which will impinge on the use made of it. These processes have been neglected on the whole by writers on organizational learning, and they can only be appreciated when learning is regarded as a social rather than a purely individual phenomenon. The mapping of external diversity onto organizational pluralism through cross-boundary networks also qualifies the adaptive view of organizations found in evolutionary economics. It acknowledges that external bodies are significant in the evolution of organizations but, because of the indeterminacy of the internal politics which organizational pluralism is instrumental in sustaining, the path taken by such evolution cannot simply be predicted as a function of external forces.

Conclusion

The strategic choice perspective locates the agency–structure relationship within its context. It recognizes that the evaluation of information, from within an organization and from its environment, can lead to the identification of opportunities and problems. This encourages a learning process which proceeds towards action through debate, negotiation and the exercise of choice. The actions that are taken give rise to outcomes.
Some of these outcomes may be internal adjustments, such as changes in structure, personnel establishment (size) and use of technology. Others may be oriented to the environment, such as new products and services, new suppliers, or the lobbying of public bodies or community organizations. The ongoing dynamic process being postulated is thus:

\[
\text{information} \rightarrow \text{evaluation} \rightarrow \text{learning} \rightarrow \text{choice} \rightarrow \text{action} \rightarrow \text{outcome} \rightarrow \text{feedback of information}
\]

though, since it is continuous, no particular stage can be taken as the starting point.

This dynamic organizational process embraces two constituent cycles which amount to a double structuration between action and situation. The first cycle is one of ‘inner structuration’, and it extends to the domain of organizational design. Within this first cycle, organizational actors seek to work upon, and are simultaneously informed or constrained by, the existing structures and routines of the organization, including its technologies and scale. The second cycle is one of ‘outer structuration’, and it extends to the environment. Within this second cycle, organizational actors seek to influence or reach an accommodation with specific environmental groups and more general environmental conditions. They are thereby simultaneously informed of the opportunities for action which environmental conditions present and of the constraints which external circumstances place upon their room for action.

The two cycles contained within this double structuration process are represented schematically in Figure 2. Extant organizational designs and environmental conditions impose constraints upon the actions which are feasible at any one point in time, but they are also the objects of intended change towards which action is directed. This gives rise to the paradoxes of simultaneous choice and constraint, change and continuity. Moreover, the strategic choice perspective assumes that each of the cycles is accomplished through social interactions, both within organizations and with external parties, which are political in the sense that outcomes emerge through persuasion, negotiation, or even imposition.

The two cycles are dynamic in character. Each one is likely to give rise to change. Change arises from the presence of two drivers within each cycle. The first is the process whereby actors evaluate the situations in which they find themselves and (re)formulate their intentions with reference to those situations. The second is the process of negotiation between different actors to arrive at a collective solution. Because circumstances are themselves constantly changing, they introduce a stimulus for actors to respond, even though that response will be modified by the influence which the actors may wield over their situations as well as by the indeterminate element which their mutual negotiations introduce. This dynamic character of the two structuration cycles leads
to the evolution of organizations through time, as Figure 2 also portrays. Changes are accomplished through the two linked cycles of inner and outer structuration. The rising trend portrayed in Figure 2 indicates the likelihood of continuing change, not that organizations will necessarily grow in capacity or resources over time.

Within this evolutionary framework, strategic choice only makes sense with reference to both pro-action and re-action. It builds theoretically upon the mutuality of action and constraint and seeks to encourage exploration of the dynamic which this mutuality sets up. It therefore regards the polarization of determinism and voluntarism in organizational analysis as misleading. Over the twenty-five years since the strategic choice perspective was first developed, the dominant emphasis in organizational theorizing has changed dramatically. Whereas strategic choice necessarily engaged with organizational determinism when it first appeared, today it has become rather more appropriate for it to engage with those who would deconstruct organizational life down to the untrammelled actions of sense-making individuals. The retrospect and prospect presented in this paper claims that strategic choice can be usefully corrective to both extreme positions for the very reason that it draws attention to the inter-dependence of choice and constraint in organizational behaviour.

Notes

* The author appreciates the comments made on a draft of this paper by the participants at the workshop on ‘Action, Structure and Organisations’ held at ESSEC, Paris, May 1995, by the editors of this Special Issue, by two anonymous reviewers, and by Nicole Biggart, Sally Heavens, Yuan Lu and Malcolm Warner.

1. Most students of organization did not, at this time, make a clear distinction between ‘context’ and ‘environment’. For example, the writer once asked Derek Pugh if he considered the two terms to be synonymous, and after some reflection he replied in the affirmative. Today, with the experience of downsizing and the role of information technology in the design of organizational networks, we would regard the size and technology of organizations (which the Aston school included under context) to be attributes of their design rather than features which are truly contextual to organizational design. The ‘environment’, by contrast, denotes a field in which organizations and their personnel interact and transact with counterparts in other organizations, such as suppliers, customers, government agencies, the courts and other institutional bodies. Whereas decisions on features such as size (total employment, total capital) and technology may be made within the ambit of a single organization’s managerial system, decisions with reference to the ‘environment’ are likely to be made within a process of interaction with external parties, whether this takes the form of discussion, negotiation, competition or defiance. From this perspective, aligning organizational structure with size and technology may be viewed as a largely ‘internal’ process whereas interaction with the environment is a largely ‘external’ process. Pettigrew’s (1985) distinction between ‘inner’ and ‘outer’ context accords with the distinction being made here.

2. This, incidentally, provides another bridge to the resource-based view of the firm within the literature on strategic management, which it is beyond the scope of this paper to explore.

3. North (1996), who is sympathetic to evolutionary theory in economics without being a leading advocate for it, is a notable exception to the behaviourist tendency among critics of rational choice theory. In his current work he is endeavouring to inform the understanding of choice through reference to ongoing research in cognitive science and to institutional theory.
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