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THE RISE OF THE CORPORATION IN A CRAFT INDUSTRY: CONFLICT AND CONFORMITY IN INSTITUTIONAL LOGICS

PATRICIA H. THORNTON
Duke University

This study tests a theory of how a craft- and profession-based industry adopted multidivisional organization, examining higher education publishing from 1958 through 1990. I combined interviews and historical analysis to identify two institutional logics, an editorial and a market logic. Hazard rate models of differences in the effects of these logics showed a decrease in the importance of professional determinants of organization structure and an increase in the salience of its market determinants. The covariates explaining the rate at which firms divisionalized changed as a consequence of their strategic and structural conformity with the prevailing institutional logic.

> Publishing was like a small town where everyone knew everyone else and felt a kinship that was not to be found in ordinary commercial enterprises. . . . Perhaps the greatest change, however, . . . is the imposition of the corporate mentality on a business diametrically opposed to it in the past. . . . Methods of corporate organization have burdened publishing houses with so many divisions and subdivisions designed for efficiency. . . . The corporations owning publishing houses recruit more and more, particularly for upper-level jobs, from the ranks of nonbook businesses. Consequently, what lies between the covers hardly matters as long as it can be sold by modern marketing techniques. (Tebbel, 1987: 463–464)

Structural change in organizations is a subject that continues to interest researchers in the fields of strategy and organization and management theory. Early studies of corporate organization examined the economic determinants of the shift from the unitary to the multidivisional form (or M-form) in the largest industrial firms (Armour & Teece, 1978; Chandler, 1962; Rumelt, 1974); subsequent research has focused on the political, cultural, and ecological determinants of this shift (Palmer, Friedland, Jennings, & Powers, 1987; Fligstein, 1985; Roy, 1997). More recently, researchers have investigated a variety of conundrums: late adoption of the multidivisional form (Palmer, Jennings, & Zhou, 1993); which proceeds first, a change in strategy or a change in structure (Amburgey & Dacin, 1994); and the deinstitutionalization of the conglomerate form (Davis, Diekmann, & Tinsley, 1994).

However, an important anomaly remains unexamined. Although there are many qualitative accounts of the corporatization of industries (Coser, Kadushin, & Powell, 1982: 179; Starr, 1982; Tebbel, 1987: 464), there has not been a quantitative analysis of how the multidivisional form developed in smaller firms (Fligstein, 1985: 389; Palmer et al., 1993: 108) and in populations of craft- and profession-based firms, such as publishing and health care. Many of the studies of strategy and structure are based on samples of large, publicly traded industrial corporations, when undoubtedly industries contain an extraordinary diversity of organizations, and it is precisely this heterogeneity that determines why organizations change their structures (Aldrich, 1999: 340).

Scholars taking economic perspectives have argued that the multidivisional form readily developed in mass production industries because technology innovations and mass markets made possible standardization and economies of scale and scope. In publishing, however, neither technology nor organization innovation substantially increases minimum efficient scale (Chandler, 1962). Instead, editors drive the production of books, and they can neither be standardized nor worked in assembly-line fashion around the clock. Thus, although managerial hierarchies have proven to be an effective means of control in mass production industries (Chandler, 1977), as Powell pointed out, the network structures characteristic of the crafts and the professions have been favored over managerial hierarchies as a means of control in publish-

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ing (1990: 302, 307). These fundamental differences highlight the question of how the M-form organization has displaced craft- and profession-based forms of organization.

Institutional perspectives suggest an additional explanation—that actors' interpretations of economic conditions are moderated by institutional logics from wider environments (Friedland & Alford, 1991). According to this approach, although economic forces impinge on organizations, how actors interpret the meaning and the consequences of those economic forces is contingent on higher-order institutional logics. Institutional logics define the norms, values, and beliefs that structure the cognition of actors in organizations and provide a collective understanding of how strategic interests and decisions are formulated (DiMaggio, 1997; Jackall, 1988). Shifts in institutional logics can affect which economic conditions are viewed as problematic and how they can be addressed by a change in the strategy and structure of an organization (Fligstein, 1990; Thornton & Ocasio, 1999).

In particular, I show how a historical shift in the prevailing institutional logic in higher education publishing led to an increase in the importance of market determinants of organization structure and a decline in the salience of professional sources of organization structure. Case studies illustrate clearly that publishing underwent a transformation from an industry that emphasized publishing as a profession and in which publishers focused on author-editor relational networks, to one in which managers of formal hierarchies paid increasing attention to market forces (Coser et al., 1982; Tebbel, 1987). Combining data from interviews and historical research, I define the attributes of institutional logics at two different time periods, which reflect a transition from an editorial to a market logic, and I formulate hypotheses that relate those attributes to the dependent variable, the rate at which firms become divisions of M-form organizations. Last, I report estimates of hazard rate models to analyze how the historical shift from an editorial to a market logic shaped the relative importance of pressures for change in organization structure from 1958 to 1990.

This article makes several contributions to the institutional analysis of organizational change. First, it adds to the few studies that examine the behavioral and structural deviance and conformity of organizations as a strategic response to institutional pressures (Goodstein, 1994; Oliver, 1991). My findings show how institutional pressures moderate how firms define problems, making them sensitive to different market conditions, which in turn determines which organizational strategies and structures they are likely to adopt to solve their problems. Firms that embody old organizational forms under old institutional logics are relatively immune from change pressures until the prevailing institutional logic changes. When a shift to a new logic occurs, firms that continue to embody old organizational forms become deviants that are particularly vulnerable to change pressures.

Second, this study responds to the call to understand institutional effects at different levels of analysis (Kraatz & Zajac, 1996: 833). Previous studies have examined the link between field-level culture and individual-level decisions of executives (Fligstein, 1985; Palmer et al., 1993). Drawing upon Scott's (1995: 52–54) typology of "carriers" of institutions, I examine the link between industry-level culture and organization-level social structures and routines.

Third, this study adds to research that examines how different governance structures affect the sources of change in organization structure. Prior research has examined the effects of different variants of managerial capitalism on the development of the M-form (Fligstein, 1985; Palmer et al., 1993). This study compares the effects of two different forms of capitalism—personal and market—comparing the logic of the profession with the logic of the market.

Fourth, this is the first analysis of how the multidivisional form developed in a craft industry and in a population of firms competing in a product market. Institutional theory has been criticized for decoupling explanations of culture from those of power and market competition (Kraatz & Zajac, 1996: 832; Palmer et al., 1993: 102). This study tests the interaction effects of institutional logics (culture) and resource competition on change in organizational structure. Publishing is an entrepreneurial industry that is not confounded by the effects of government regulation and federal subsidy (Levin, 1996), making it an appropriate context in which to study the effects of culture (Schneiberg & Clemens, forthcoming).

THEORY

Building on contingency and resource dependence theories, I drew from the "Carnegie school" and neoinstitutional theory to develop a model of organization decisions that articulates the mechanisms that connect the decisions of actors inside organizations to cultural beliefs in contexts outside organizations (Fligstein & Dauber, 1989: 94). I followed Friedland and Alford's (1991) argument that the institutions that shape organizational actions are embedded within higher-order societal logics.

Individuals, organizations, and society constitute three nested levels, wherein organization- and society-level institutions specify progressively higher levels of opportunity and of constraint on individual action. The main institutional sectors of society—the family, the religions, the professions, the state, the corporation, and the market—provide a distinct set of often conflicting or complementary logics that form the basis of institutional conflict and conformity. For example, the society-level logics of the professions and of markets have parallel conventions in lower-order logics; the editorial and the market logic in the publishing industry are examples of such parallels (Douglas, 1986). The professions embody logics that conflict with corporations, and markets embody logics that are complementary to corporations. Therefore, the logics of the professions and the markets imply countervailing determinants of organization structure.

At the organization level, ambiguity and cognitive limitations hinder the ability of individuals and organizations to attend to all aspects of their environments (March & Olsen, 1976, 1989; Ocasio, 1997; Simon, 1947, 1997). Institutional logics help to remedy this problem by focusing the attention of organizational actors on a limited set of issues and solutions that are consistent with the prevailing logic (Thornton & Ocasio, 1999). For example, in the context of the publishing industry, the meaning and legitimacy of various sources of organizational identity and of strategy and structure are shaped by a prevailing institutional logic. Publishers may identify with publishing as a profession by building their personal reputations in the industry; or publishers may identify with publishing as a business by improving the market positions of their firms. Second, institutional logics determine which issues and problems are salient and the focus of management's attention. For example, publishers may focus on increasing sales by concentrating on author-editor networks in product development; or publishers may focus on increasing profits by emphasizing control of resource competition in the product-market. Third, institutional logics determine which answers and solutions are the focus of management's attention. For example, publishers may adopt strategies of growth by focusing on organic growth and building personal imprints; or publishers may concentrate on acquisition growth and building market channels.

I drew on Scott's (1995: 52–54) typology to understand the mechanisms that transmit institutions. Scott stated that institutions are located in carriers, such as cultures, social structures, and routines. Cultures are defined as interpretive structures, patterns of meaning, and rule systems. Social structures are expectations attached to social networks, formal positions, and role systems. Routines are the habitualized behaviors, competencies, and technologies stored in "organizational memory." By definition, carriers of institutions cut across different sectors of society and levels of analysis, which provides opportunities for institutions to come into conflict and into complementarity, creating prospects for organizational change and stability (Clemens & Cook, 1999).

I propose that an organization's strategy and structure are legitimate and competitive to the extent that they are in conformity with higher-order institutional logics (Davis & Greve, 1997; Strang & Meyer, 1994). When an organization's strategy and structure are in conflict with the prevailing institutional logic, the organization is less legitimate and competitive and thus more subject to change pressures (Oliver, 1991). With a change in institutional logics, organizational attention shifts to alternative issues and solutions, which have consequences for changes in the strategy and structure of the firm.

The Logic of the Professions

Case studies illustrate that institutional logics embodied in the professions are antithetical to the goals and means of control of corporations. Brint and Karabel (1991: 344) and Scott (1995: 95) noted how the professions are organized bodies of individual members who create knowledge and belief systems that define arenas of interest and jurisdiction. From studies of medical professions, Friedson (1986) and Abbott (1988: 99–100) identified the sources of professional authority and autonomy as stemming from the social legitimacy of a mission and the exclusive ability to apply expert and esoteric knowledge to particular cases. Altbach (1975), Coser (1975), and Lane (1975) described publishers as having a mission that moderates the singular quest for profits, characterizing editors as gatekeepers of knowledge and shapers of culture. Similarly, Lane and Booth (1970) and Hirsch (1972) classified publishers as professionals because the ingredients of a successful book are uncertain and represent a mysterious mix of individual expertise and entrepreneurship.

Professional sources of organization structure are embodied in individual relations, not hierarchies. For example, Coser, Kadushin, and Powell (1982) showed how competencies in traditional publishing firms were embedded more in the editor's relational networks with authors than in the routines of formal hierarchy. Hirsch characterized traditional publishing firms as antihierarchical, exhibiting "boundary-spanning role occupants and value con-

straints against vertical integration" (1972: 641). Stinchcombe (1959) described craft- and profession-based firms as favoring professional training and mentoring as the means of control, unlike hierarchical corporations, in which the means of control stem from the central administration.

The Logic of the Markets

Case studies have illustrated how the institutional logics of markets are complementary to the goals of corporations. Chandler (1962) developed two ideal-typical descriptions to classify corporations—the unitary form (U-form) and the multidivisional form (M-form). The U-form organization is divided into separate departments, such as manufacturing, sales, and finance. When firms grew in complexity, executives needed an organization structure that provided greater control both of their firms and of competition in their product-market. These needs for control gave rise to the M-form, organized by separate product and geographic divisions, with each division approximating a U-form.

Corporate divisions are the central building blocks of the multidivisional form. In the U-form, the focus of management's attention is on operational decision making: how to produce products and sell them in the market. The M-form differs in that it separates the functions of operational decision making from those of strategic decision making. This strategic change frees a firm's senior management to focus on the rationalization of profits by divisional units by employing staff in the firm's central office to monitor the progress of operating divisions toward various efficiency criteria and overall corporate goals (Williamson, 1975). This structural change also requires management to make decisions to redistribute divisional profits—for example, in the form of expansion capital—to those divisions with the highest potential and the best performance, thereby decreasing the M-form's dependence on external capital markets. The M-form also enables senior management to shed those divisions that "underperform the market" or do not show potential for future returns. The M-form firm in this sense functions as an internal capital market and investment bank, providing a means to increase the rate of growth and control market competition through scale- and scope-expanding acquisitions.

In reality, a firm's growth into an M-form is not a dichotomous shift from a U-form, as is implied by Chandler's ideal types. Instead, corporate divisions are built in several ways—by organic growth (Galunic, 1996) and through strategic acquisition (Mitchell & Capron, 1998), in which a corporation either acquires other firms and designates them as divisions or is itself acquired and turned into a division of an existing M-form organization (Levin, 1996).

RESEARCH DESIGN

To examine the effects of institutional logics, I followed Doty and Glick (1994), who illustrated the use of typologies in theory building and modeling. To identify the institutional logics and how they changed, I conducted taped interviews in 1991 with 30 higher education publishers, three investment bankers who worked in firms that specialize in publishing, and members of the staff of the Association of American Publishers. Interview methods are described in detail in the Appendix. These in-depth interviews were used to supplement research by sociologists, historians, and analysts of the publishing industry. From this information I developed a theoretical model of two ideal types of institutional logics: an editorial logic, which prevailed during the 1960s and early 1970s, and a market logic, prevailing since the mid 1970s. Each logic represents attributes that are hypothesized to affect the transition rate to the divisionalized structure. First, I describe the two institutional logics; then, I briefly discuss factors associated with how one logic came to displace the other.

From an Editorial to a Market Logic

In the interviews and the historical analyses, publishers described the 1950s and 1960s in higher education publishing as characterized mostly by small houses (firms) that were privately owned by families and persons who engaged in publishing as a lifestyle and a profession. The dominant authority structure was based on the founder-editors of the firms whose legitimacy and authority stemmed from their personal reputations in the field, their relational networks with authors, and the stature of their books (Coser et al., 1982).

During this era, publishers viewed their mission as building the prestige and the sales of their publishing houses. To do so, they focused their attention on strategies of organic growth, hiring and developing editors with the best reputations to build personal imprints, develop new titles, refine backlists of existing titles, and nurture relationships with authors (Asser, 1989). Editors were rewarded for their success by prestige in publisher-academic circles and in some cases by the establishment of their own personal imprints. Personal imprint publishing is an organizational form

that recognizes the importance of personal and relational networks in developing new authors and manuscripts, and it emphasizes the professional autonomy of editors, their freedom from the influences of management and hierarchy (Powell, 1990). Governance was by family ownership and the participation of independent publishers in a trade association (Chandler, 1962); both of which practices emphasize committing capital to one's firm (not necessarily seeking the highest market return on the capital) as a logic of investment. I refer to this first set of ideal-type attributes as the *editorial logic*.

The editorial logic is exemplified by comments from the executive vice president for strategic planning of a major higher education publisher, who began her career in the early 1960s as a production editor:

> In the 1960s, publishing was a different world. Most of the companies were small and private and still run by the grand old men of publishing. Nobody talked about profits; sales, yes, but not profits. . . . Nobody cared that much about making a lot of money. You went into publishing because you liked books and authors.

In another interview, a former president and CEO of the largest publisher in the 1980s, a firm with both trade and higher education divisions, talked about the change in the importance of personal reputation and relational networks with authors. He said, "When Prentice Hall bought Allyn and Bacon from the family in the 1950s, we asked about the royalty rate paid to authors. I remember how incredulous I felt when I heard the story—they said it depended on whether they had a good year or not."

In the interviews and historical research, publishers described a change that occurred in the organizational identity of higher education publishing sometime during the 1970s—a shift from publishing as a profession to publishing as a business. With this change, the dominant form of authority became a CEO whose legitimacy and authority stemmed from a firm's market position, its corporate parent firm, and public shareholders. The mission was to build the competitive position of the firm and increase profit margins. To do so, the focus of executives' attention shifted to counteracting problems of resource competition by using strategies such as building market channels and growth by acquisition. Governance was by managers and the market for corporate control, and the dominant logic of investment was to commit capital to its highest market return (not necessarily to the firm). I refer to this second set of ideal-type attributes as the *market logic*. Table 1 summarizes the two ideal types of institutional logic, the editorial and the market.

The market logic is exemplified by comments from one higher education publisher who began in

TABLE 1
Two Ideal Types of Institutional Logics in Higher Education Publishing

Characteristic	Editorial Logic	Market Logic
Economic system	Personal capitalism	Market capitalism
Organizational identity	Publishing as profession	Publishing as business
Legitimacy	Personal reputation	Market position of firm
Authority structures	Founder-editor Personal networks Private ownership	CEO Corporate parent firm Public ownership
Mission	Build prestige of house Increase sales	Build competitive position Increase profits and cash flow
Focus of attention	Author-editor networks	Resource competition
Strategy	Organic growth Build personal imprints	Acquisition growth Build market channels
Logic of investment	Capital committed to firm	Capital committed to market return
Governance	Family ownership Trade association	Market for corporate control

the business as a sales representative in the early 1960s and became an editor and subsequently a divisional executive:

> In the 1960s, the *Fortune* 500 companies outside the industry started buying publishers. These acquisitions were a failed experiment because their accountants could never figure out how our business worked. . . . The *Fortune* 500 ended up giving up and divested their publishing properties, but they left behind the seeds for how publishing changed over the next 20 some years. For one, just look at the emphasis now on growing by acquisition. I know, I was originally trained to be an editor, but had to learn to do "due diligence" to keep in step. Sure, in the past we had mergers and acquisitions, but it wasn't considered a way to do publishing.

Another divisional executive described the change that undermined the editorial logic:

> My real recognition of how this business had changed came when the parent company asked us not for editorial talent but for management talent for their other divisions. It was the realization that our mission was to grow executives, not book editors, which really shook me.

And one of the well-known investment bankers, who earlier had had a career in higher education publishing, beginning as a production editor and ending as the head of the higher education division for a major publisher, stated:

> If you went back and looked at an organization chart for Prentice Hall's college division in 1961, the year I started, and you were to take the same organization chart this morning to Prentice Hall, . . . the major change would be the financial people, the MBAs. . . . In the past we were a part of the academic community. Now we are more a part of the financial community.

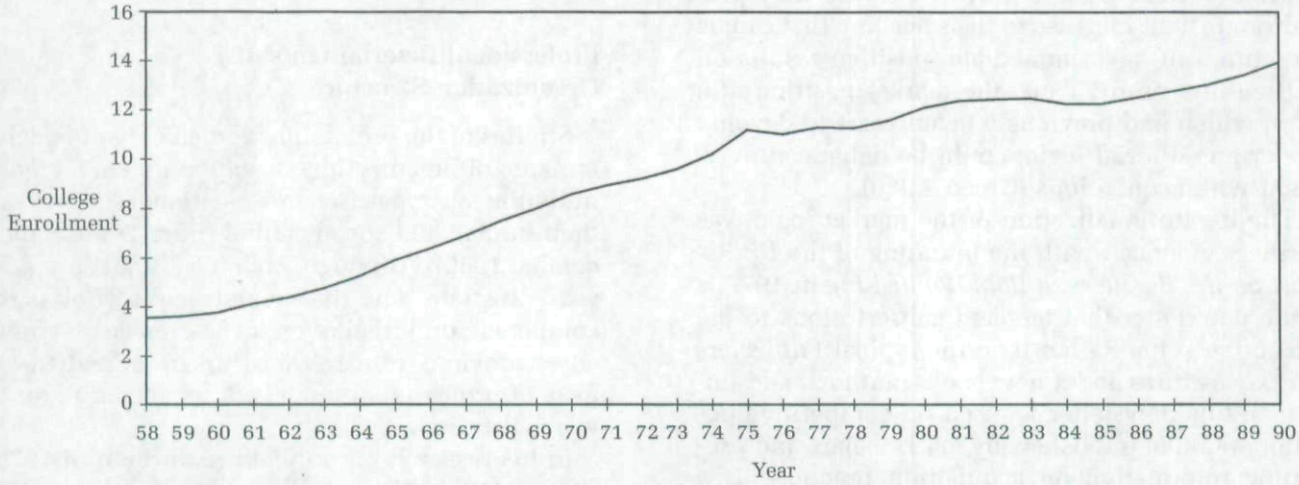
I also found support for the rise of a market logic in the historical research on the publishing industry. For example, Greco (1996, 1997) described what he termed a "substantive reconfiguration" within publishing attributed to the direct impact of strategic planning practices on executives. Shatzkin (1982) commented on the commercialization of publishing strategies and its impact on the declining prominence of the editorial function. In reference to scholarly publishing, Powell described a "shift in power within publishing houses—one in which editors are in decline and corporate managers and marketing are in ascendance" (1985: 12). With respect to college text, scholarly, and trade publishing, Coser and his colleagues noted "a shift in the internal status order within publishing houses—a process in which the power of editors declined and the influence of professional managers has risen" (1982: 29). Last, the publishing historian Tebbel noted, "Management was now in the hands of business-oriented people, while those who had combined business with editorial creativity were out of control" (1981: 511).

A number of factors contributed to the decline of an editorial logic and the rise of a market logic. Haveman and Rao (forthcoming) argue that when "segregating" processes—such as changes in competition, new political processes, atrophy of social networks, changes in views of legitimacy, and changes in technologies—occur, they create pressures that contradict a prevailing logic and give rise to a new one. The interviews and a review of the publishing industry literature indicate that several of these processes occurred here. In the early 1970s, a period of transition in logics began, propelled by new sources of capital in the industry, an increase in resource competition in the product-market, new sources of information from trade presses that emphasized a focus on market logics, and the development of investment banking practices and firms specialized to the industry.

The antecedents for the change in logics were evidenced by changes in market demand and the need for new sources of capital. In the 1960s, market demand exploded, along with the demographic expansion of postwar baby boomers en route to college and increased state and federal investments in colleges and universities (Brint & Karabel, 1991; Coser et al., 1982). Figure 1 shows the continuous increase in college enrollments prior to 1975, with a tapering off of the rate of increase after 1975. Similarly, the industry sales of college-level books, which were approximately $67 million in 1956, had grown to more than $531 million in 1975, according to the *Bowker Annual of Library and Book Trade Information;* this sales growth indicated that publishers responded to the increased demand in the product-market. Wall Street analysts began to tout higher education publishing as a growth industry, signaling corporate executives outside the industry, who were engaged in the heralded diversification strategies of this time, that publishing firms were attractive targets for acquisition (Coser et al., 1982: 25; Powell, 1980). Faced with both market growth and increasing competition, publishers needed new sources of capital (Smith, 1995). As a result, family-owned publishers faced two choices: going public to obtain access to public capital markets or securing funding by being acquired.

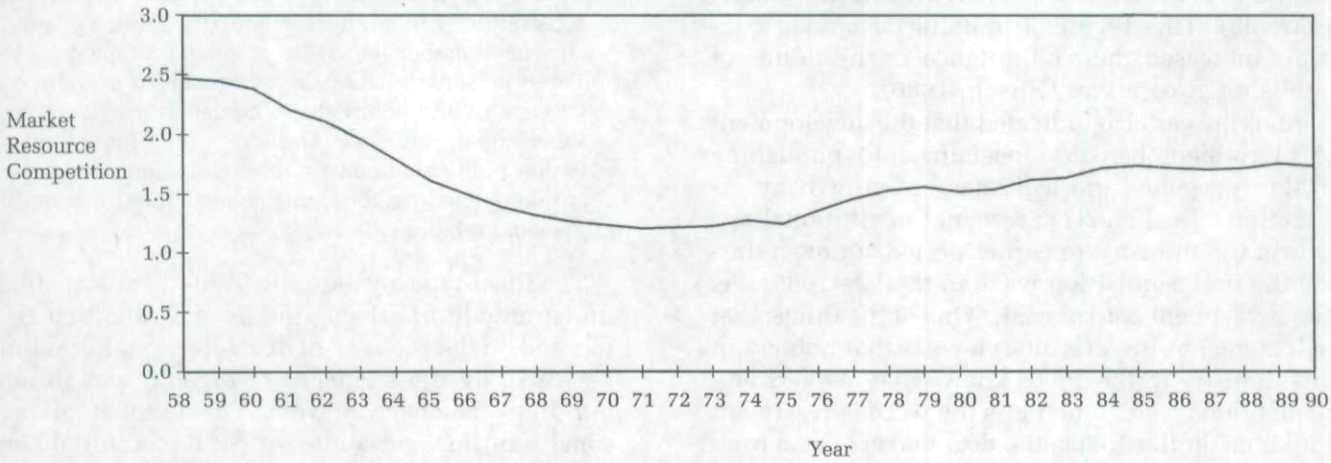
The increase in demand led to an increased number of publishing organizations and a change in the level of resource competition. Figure 2 depicts

FIGURE 1
Time Series Data on College Enrollment[a]



[a] Enrollment is in millions of students. Data are from the National Center for Education Statistics *Digest*.

FIGURE 2
Time Series Data on Market Resource Competition[a]



[a] Market resource competition is the number of publishing organizations divided by college enrollment, in millions of students. Data are from the National Center for Education Statistics *Digest*.

change in market resource competition in the industry over time. After 1975, competition, which had been declining since 1958, became a salient issue because of the decline in the rate of increase in college enrollment, the acquisitions campaign in the American marketplace waged by foreign conglomerates (Graham, 1994; Levin, 1996), and the entry of nontraditional competitors specializing in course packs and used books (Baker & Hileman, 1987; Bernstein Research, 1994).

For publishing companies that were acquired, one consequence was that they became divisions of corporate parent firms. Parent corporations superimposed on these publishers new performance expectations for yearly increases in profits and market share. This in turn refocused executives' logics of investment on market processes and on a new solution—the strategy of acquisition growth. For example, a divisional executive of a diversified publisher stated:

> Instead of being able to manage your business for the value of future cash flow, you had to manage it for yearly profits transferred to the parent company. . . . Every year had to be better than the previous year. The only way to get bigger rapidly is to go outside and acquire others. Then you set up a new kind of industry competitiveness, which is: I want to buy this other company because if I don't our competitors will get it. So the attention shifts from publishing to what it is we can buy.

Publishers explained how acquisitions could increase market share and short-term profits at a faster rate than organic growth because they provide an instant increase to the sales line that can be structured to have immediate, positive results on bottom-line profit. Thus, the market position of a firm, which had previously taken years to develop under an editorial logic, could be enhanced overnight with acquisitions (Greco, 1989).

The institutionalization of the market logic was further evidenced with the founding of the *BP Report on the Business of Book Publishing* in 1977, a trade newsletter that targeted subscriptions to the executive suite. Rather than the typical *Publishers Weekly* features about new books, authors, and imprints, this newsletter focused on competitive position, ranking publishers by market share and providing information on acquisition practices as a means to increase market share. "Acquiring parent," "target company," and "deal price" were terms used for the first time in the publishing trade literature. One of the most basic indexes of cultural centrality is the structure of language itself (Zucker, 1983: 33). This linguistic framing of market concepts increased their importance in the minds of publishing executives (Hirsch, 1986).

Interviewees also indicated that the development of investment bankers specialized to publishing further propelled the legitimacy of growth by acquisition. "Deal makers" were not institutionalized within the industry in earlier periods or even during the first acquisition wave in the late 1960s. As one investment banker said, "One of the things that will come out in your interviews is that nobody in this industry in the 1960s knew what mergers and acquisitions were, much less the words investment banking." In the 1960s, the deal makers came from Wall Street, and the acquiring firms were located in industries outside of publishing. From the 1980s on, as one CEO reported, "Investment bankers were now wired into the process." This practice was formalized, with investment bankers training publishers in how to "stay ahead of the game" by using acquisitions and consolidation as a business strategy, according to a 1998 brochure from Fulcrum Information Services.

HYPOTHESES

The two institutional logics—editorial and market—determine the salience of issues and the legitimacy and efficacy of alternative strategies and structures used by publishers to solve such problems in the product and capital markets. These differences in logics translate into different expectations for the independent variables in the two time periods.

Professional Determinants of Organization Structure

Studies of the professions indicate that the determinants of organization structure are embodied in individuals' expertise and relational networks—their human and social capital (Burt, 2000; Stinchcombe, 1959). Although Abbott's (1988) case analyses illustrate how the mental health professions competed for jurisdiction over arenas of knowledge, previous research has not examined the effects of professional models of organization on divisionalization.

In his research on publishing in the mid 1970s, Powell (1990) described how personal networks competed with formal hierarchies as a governance structure.

> Under these arrangements [personal imprints], successful editors enjoy freedom from corporate constraints, and authors enjoy the intimacy and closeness associated with a small company. . . . These personal relationships are vital to economic success. While competition among firms does, to some extent, influence the success or failure of particular publishing houses, these selection pressures are dampened by the dense associational ties and personal relations.

The ideal-type attributes in Table 1 indicate that, under an editorial logic, publishers' attention was focused on the problem of developing author-editor networks by the strategies of organic growth and building personal imprints. The number of personal imprints was a measure of the editorial control of the firm and the market. However, from the mid 1970s on, executives with backgrounds in marketing and finance gained power and control relative to editors and executives with editorial backgrounds (Powell, 1985; Schiffrin, 2000).

According to my theory, personal imprint publishing is an organization structure in conformity with an editorial logic. When an editorial logic prevails, personal imprint publishers should be immune from change pressures and suppress the rate of transition to a divisionalized structure. However, when a market logic prevails, the focus of publishers' attention should shift to the problem of controlling resource competition in the product-market by the strategies of building market channels and acquisition growth—strategies that require a divisionalized structure. Therefore, when a market logic prevails, to maintain their legitimacy and competitiveness, personal imprint publishers

should respond to the pressure of a shift in institutional logics by changing to a divisionalized structure.

Hypothesis 1. The negative effect of the strategy and structure of product development via personal imprint publishing on the rate at which a firm becomes a division of an M-form organization will be greater in the historical period when an editorial logic prevailed.

According to theories of market control, the vertical integration of marketing within a unitary structure may offer benefits contractual relationships do not, because vertical integration reduces firms' resource dependence on powerful organizations, particularly limited-source distributors (Pfeffer & Salancik, 1978). Vertical integration within an M-form, rather than a U-form, should lead to even greater power for firms because economies of throughput are likely to increase the flow of products across many market channels if firms have managerial control over many markets (Chandler, 1977; Thompson, 1967). M-form structures also support larger sales and marketing programs because costs can be shared or transferred across a number of operating divisions.

How marketing and distribution are managed can determine economic and power differences among firms that are likely to affect a decision to change to a divisionalized structure. For publishers, there are several strategic choices: they can vertically integrate these functions by developing their own marketing and sales departments within unitary structures; they can contract with other publishers and distributors that have established marketing and distribution resources; or they can utilize such resources as a vertically integrated function of an M-form organization.

Contracting marketing, although ensuring broad distribution of current products, can inhibit the development of future products. Publishers without in-house marketing and sales capabilities may find it difficult to keep in touch with market trends, to acquire cutting-edge new authors, and to develop best-selling titles (Hirsch, 1972). Over the longer term, this can weaken the acquisition editorial functions of distribution-dependent publishers relative to other publishers who choose to vertically integrate marketing and distribution.

The ideal-type attributes in Table 1 indicate that, under a market logic, the focus of publishers' attention shifted to the problem of resource competition and the strategy of building market channels—emphasizing the marketing and distribution of books as one of the key uncertainties (Asser, 1989: 57). This shift in attention to the *marketing* of books sharply contrasts with the earlier belief that if an editor developed good books, they would sell themselves (Powell, 1985: 10). Under the editorial logic, little was invested in marketing because it was believed that people either have or lack the capacity to appreciate a good book (Lane & Booth, 1970: 42). Tebbel (1996), for example, noted that, in the 1960s, the modern marketing methods used in other industries were rare in publishing. However, by the early 1980s, many publishers were emphasizing the most advanced marketing techniques.

An executive publisher described this heightened focus on building market channels:

> In the 1970s, there was this new focus on building in-house marketing and sales staff. . . . I remember going to the company management meetings and it seemed like now the national sales manager had all this new power—in the past, those executives with stellar editorial backgrounds who had started their own imprints were the ones in control. The sales manager proposed building a mega sales and marketing operation, and justified it in the sense that various editorial companies, which I guess were becoming divisions, could use it. The old idea of the editor selling or the "college traveler" was out—who needed to travel with a 100-person sales force. But, what I kept thinking was who was going to control and pay for this? It would be the revenue from my books and the books of the editors that report to me—but he would have the power.

Empirical findings on resource dependence and structural change indicate that firms that control scarce and important resources and that have ties to other firms lacking such resources may encourage dependent firms to change and adopt similar strategies and structures (Pfeffer & Salancik, 1978). However, according to my theory, the universal effects predicted under economic and resource dependence theories of market control should be moderated by a historical shift in institutional logics. During the editorial period, distribution was not a strategic focus of executives' attention, and other resource conditions had not yet consolidated. Although firms with distribution contracts existed, these contracts were typically with independent and self-employed sales representatives (Reid, 1969). Moreover, publishing firms were less likely to have sales and marketing executives who were seeking to increase their power and the size of their operations by taking on distributees (McCormick, 1998).

During the market period, publishers with distribution contracts, though in conformity with the strategy of building market channels, were nonetheless hybrids, and therefore less competitive and less legitimate than those publishers who division-

alized and vertically integrated marketing and distribution. Therefore, when a market logic prevails, publishers with distribution contracts should respond to a shift in institutional logics by changing to a divisionalized structure.

Hypothesis 2. The negative effect of the strategy and structure of product distribution via contractual relationships on the rate at which a firm becomes a division of an M-form organization will be greater in the historical period when an editorial logic prevailed.

Market Determinants of Organization Structure

Economic contingency and managerialist theories have argued that firms in which there is managerial discretion to expand their scale and scope through acquisitions should experience pressure to decentralize decision making and adopt the divisionalized form (Chandler, 1977; Marris, 1964). The empirical studies of large industrial corporations by Fligstein (1985) and Palmer et al. (1993) support these expectations, but they also reveal political and institutional explanations for the adoption of the M-form. For example, Fligstein's (1985, 1990) research shows that firms were more likely to grow by acquisition when their CEOs had backgrounds in finance during the finance conception of managerial capitalism than during historical eras, when CEOs typically had backgrounds in manufacturing.

Although acquisitions have a history of occurrence in publishing, Tebbel documented that the meaning and the consequences of acquisition in the editorial period were quite different from those in the market period. He stated, "It was true that publishers have been surviving since the beginning of the nineteenth century through mergers and acquisitions—but the changes were mostly shifts in partnerships and within the family, so to speak" (1981: 724).

The ideal-type attributes in Table 1 indicate that, under a market logic, the focus of publishers' attention shifted to the strategy of acquisition growth. This change in institutional logics was reinforced by a transformation in governance from family ownership to the market for corporate control and the belief in committing capital to the highest market return, not necessarily to the firm (Lazonick, 1992; Useem, 1996). According to the theory, the universal effects predicted by economic contingency and managerialist theories should be moderated by a historical shift in institutional logics. Therefore, acquiring firms should be more likely to divisionalize in the market period than in the editorial period.

Hypothesis 3. The positive effect of the strategy of acquisition growth on the rate at which a firm becomes a division of an M-form organization will be greater in the historical period when a market logic prevailed.

According to organization theories, market competition is a universal constraint on the behavior of firms that determines their strategies and structures (Burton & Obel, 1998). The attributes in Table 1 indicate that, under an editorial logic, the attention of publishers was focused on building the prestige of the house and increasing sales—missions well tuned to publishers who derived their legitimacy from their personal reputations and relational networks. Powell (1990: 307) argued that relational networks dampen the negative effects of competition, because they embody the logics of trust, reciprocity, and cooperation. However, with the leveling of college enrollments, competition from foreign publishers, and the development of used book and course pack companies, publishers could no longer stem the tide of competition with professional models of organization. They refocused their mission so that the sources of legitimacy stemmed from building the market position of the firm and increasing profits—organization strategies that imply a different impact on the effects of resource competition and strategies that necessitate a divisionalized structure.

As noted above, according to theory, a historical shift in institutional logics should moderate universal effects of resource competition. Relational network forms of organization should have lost their immunity to the effects of competition, and publishers should have been likely to conform to institutional pressures to solve their problems of resource competition with a change to the divisionalized structure as the market logic prevailed.

Hypothesis 4. The positive effect of resource competition on the rate at which a firm becomes a division of an M-form organization will be greater in the historical period when a market logic prevailed.

QUANTITATIVE DATA AND METHODS

The book-publishing industry consists of organizations that publish several types of books, such as trade, children's, school text, college text, scholarly, and professional reference books. At any given point in time, the higher education product-market is defined as those publishers that report in the *Literary Marketplace (LMP)* that they sell books to bookstores, students, and professors for use in col-

leges and universities. First published in 1940 and updated annually, the *LMP* is the directory used industrywide by publishers, suppliers, distributors, writers, literary agents, bookstores, and librarians to contact individuals and organizations in publishing.

Some publishers that sell books in the college and university market also publish books for other markets. During the observation period, some publishing organizations in the sample moved into and out of different markets. On average, over the observation period, approximately 33 percent of the publishing organizations in the sample published only one type of book; 40 percent published two types; 18 percent, three types; and 9 percent, four types of books. On average, approximately 8 percent of the firms in the sample published only college texts, and 4 percent published only scholarly books. Diagnostic analyses indicated that type of publisher did not change the effects of the theoretical and control variables.

The sample was randomly drawn from the population of all commercial publishing organizations listed in the *LMP* in any given year from 1958 to 1990 that reported publishing for the college and university market, a total of 766. I selected approximately one-third of this population (230 publishing organizations) as a sample using the SPSS-X random sample generator. To be included in the population of 766, a publishing organization had to have a separate listing under its own company name and a separate organization structure.

Organizations were in the sample from the date (year) that they first appeared in the *LMP* until the date that they were delisted because they no longer reported information. Over the 32-year observation period, 84 firms were disbanded, and 159 firms were founded. To ensure the coding of delisted firms was not an artifact of a firm's missing one or two years of listings in the *LMP*, I traced firms through 1995, five years beyond the end of the observation period.

Some organizations in the sample were subunits of larger corporate entities. To examine the potential for nonindependence effects, I conducted diagnostic analyses with a subsample that kept only one division from each corporation. The subsample results for the theoretical variables remain the same as those for the full sample analysis.

All theoretical variables, except college enrollments, and all control variables, except ownership and interest rates, were coded from the *LMP*. All variables are coded annually, except for acquisition events, which are coded in months.

Variables

Dependent variable. The dependent variable, *divisionalization*, was coded as a dichotomous dummy variable set equal to 1 if the organization switched its structure to become a division of an M-form and set equal to 0 if it did not. I followed the organization structure codes used by Fligstein (1985: 383), who drew upon the studies of Chandler (1962) and Rumelt (1974).

Independent variables. *Imprints*, a measure of personal imprint publishing and author-editor relational networks, was computed as the natural logarithm of the number of publishing imprints per firm. *Distribution contract*, a measure of publisher-distributor relational networks, was set equal to 1 if a publishing organization (supplier) had a contract for distribution of its books by another separately owned distributor or publisher and was set equal to 0 if it did not.

Acquiring firm, a measure of acquisition growth, was set equal to 1 if a firm acquired another firm and set equal to 0 if it did not. The *LMP* also references the business press articles that described all the transactions noted in the directory. I reviewed all the primary source articles to distinguish the acquired from the acquiring firms.

Resource competition is a ratio measure of the annual count of potential competitors (all publishing organizations) relative to available resources (the number of students enrolled in colleges and universities). College and university student enrollment data were obtained from the *Digest of Education Statistics* from the National Center for Education Statistics.

Control variables. I controlled for organizational and economic forces likely to affect the rate of divisionalization. The population ecology theory prediction is that older firms are less likely to change because of imprinting and inertia (Hannan, 1998). Fligstein (1985) found that older firms were more likely to adopt the M-form structure. Palmer and his colleagues (1987, 1993) found no effect for organization age. To control for age, I calculated the variable *organization age* from the organization's founding date.

Publicly owned firms may have a higher rate of divisionalization because they tend to be professionally managed and have access to public capital markets. Moreover, family or private ownership is associated with centralized control and reluctance to fund diversification strategies (Palmer et al., 1987). To control for ownership, I set variable *ownership* equal to 1 if a firm was publicly traded and equal to 0 if it was privately owned. Ownership data were obtained from the Standard & Poors and

Moody's industry directories, *Ward's Business Directory of Major U.S. Private Companies,* and *Ward's Business Directory of U.S. Private and Public Companies.*

Leadership succession may change the rate of divisionalization because new executives are likely to bring new models of management (Fligstein, 1987; Mezias, 1990). To control for executive succession, I coded the variable *executive succession* as 1 if a firm had experienced a change in the top line position, and as 0 if it had not.

Diversification of product lines, as an indicator of an increase in scope, may increase the rate of divisionalization (Fligstein, 1985: 387; Palmer et al., 1987, 1993). I calculated *related diversification* as the number of different book markets per firm.

Acquisition may increase the rate because when a firm is acquired it can become a separate division of an M-form organization (Coser et al., 1982: 179; Levin, 1996). I coded *acquired firm* 1 if an organization was acquired, 0 if it was not.

Lower interest rates, as an indicator of lower expansion costs, may increase the rate. To control for the availability of finance capital, I calculated the variable *change in interest rates,* which is the percentage change in the prime interest rate from year $t - 1$ to year t divided by the prime interest rate in year $t - 1$.

Mimetic "isomorphism" with the dominant organizational form may increase the rate (DiMaggio & Powell, 1983). To control for mimicry, I calculated the variable *M-forms in industry,* the proportion of organizations with an M-form structure in any given year.

Selection of Time Periods

The in-depth interviews and the authors and industry analysts suggested that the transition between the editorial logic and the market logic occurred during the 1970s (Coser et al., 1982: 179; Epstein, 2001; Greco, 1997: 51–52; Powell, 1985: 10; Shatzkin, 1982; Tebbel, 1987: 464). Both the Powell books captured this same temporal transition because the sample was drawn from the 1975 *LMP,* and the interview and survey data were collected from 1976 to 1978. On the basis of the interviews and historical research, I divided observations for the hazard rate models into two historical periods, 1958–74 and 1975–90, which correspond with the respective prevalence of the two ideal types of institutional logic shown in Table 1. Validating that the logics and their periodization were consistent with publishers' own understanding was the fact that the ideal types are used at a well-known university publisher's college in their executive education program. I also undertook a sensitivity analysis, running an exponential model including all covariates to determine whether the results were sensitive to the specific cutoff used to establish period.

Choice of Model

I used event history analysis to examine the hazard rate of transition to a divisionalized organization structure (Tuma & Hannan, 1984). My arguments about change in the effects of institutional logics required models that allow for these effects to vary across time periods and levels of analysis—to vary with the characteristics of firms at risk of a divisionalization event and the characteristics of their environments. Use of "piecewise" exponential models allowed the intercepts and the effects of covariates to vary in an unconstrained way across historical (calendar) time periods. This equation summarizes the functional form of this model: $\log r_{jkp}(t) = \mathbf{x}(t)' \boldsymbol{\beta}_{jkp}$, where $\mathbf{x}(t)$ refers to the set of explanatory and control variables used in the analysis, and $\boldsymbol{\beta}_{jkp}$ refers to the parameters for a specific type of shift in organizational form (from j to k) in a particular historical period p (1958–74 or 1975–90). Models were estimated by the method of maximum likelihood (ML) using RATE software.

RESULTS

Table 2 presents the mean values and the correlation coefficients for all variables in the models. Table 3 presents the ML estimates of the piecewise exponential models of the rate at which a firm becomes a division of an M-form. To test for time variation in the "effects" of the variables, I compared two effects models: a time-invariant model (model A) and a time-varying model (model B). Model A has time-varying intercepts, which are listed under the historical period for which they apply, and time-invariant effects of covariates, which are listed under the column labeled "all years." The pattern of effects in the all-years model is analogous to average effects for the 1958–90 period. Model B has time-varying intercepts and time-varying effects of covariates, which are listed under the historical period for which they apply. The coefficients give the effect of the covariates on the log of the rate. A relative interpretation of the scale of effects can be determined by taking the antilogs of the coefficients to provide the multiplier of the base rate. Two-tailed tests were used to interpret significance levels for the models as a whole. One-tailed tests were used to interpret the chi-square tests of constraints that compare individual param-

TABLE 2

Summary Statistics and Pearson Correlations for Covariates of Higher Education Publishing Firms

Variable	Mean: Editorial Period, 1958–74	Mean: Market Period, 1975–90	*F*	*p*	1	2	3	4	5	6	7	8	9	10	11
1. Divisionalization	0.28	0.35	19.69	.000											
2. Organization age	34.65	28.35	28.92	.000	.16***										
3. Ownership	0.22	0.26	8.81	.003	.50***	.24***									
4. Executive succession	0.06	0.06	0.69	.406	.12***	.04*	.14***								
5. Related diversification	2.02	2.02	0.01	.921	.01	.10***	−.01	.04**							
6. Acquired firm	0.03	0.03	0.15	.703	.17***	.02	.13***	.09***	.01						
7. Change in interest rates	9.53	1.64	137.90	.000	−.03	.01	−.01	.01	.00	.01					
8. M-forms in industry	0.05	0.06	196.82	.000	.10***	−.05***	.09***	.04*	−.01	.00	.07***				
9. Imprints	0.15	0.26	48.72	.000	.10***	.09***	.23***	.07***	.25***	.02	−.04*	.11***			
10. Distribution contract	0.28	0.33	11.76	.001	.00	.02	−.06***	−.00	.03*	.07***	.00	.07***	.01		
11. Acquiring firm	0.01	0.01	0.59	.441	.04**	.03	.07***	.05**	.06***	−.02	−.01	.01	.14***	−.06	
12. Resource competition	1.61	1.62	0.68	.408	−.06***	.04**	−.06***	−.02	.02	.01	−.07***	−.76***	−.03	−.05***	.01

* $p \leq .05$
** $p \leq .01$
*** $p \leq .001$
Two-tailed tests.

TABLE 3
Maximum Likelihood Estimates of "Piecewise" Exponential Models of the Rate of Corporate Divisionalization[a]

Covariates[b]	All Years	Period: Editorial, 1958–74	Period: Market, 1975–90	χ^2
Intercept, model A		−3.31***	−3.14***	
Intercept, model B		−1.82**	−3.48***	
Control variables				
Organization age	0.00***(0.00)	0.00** (0.00)	0.00***(0.00)	
Ownership	1.32***(0.06)	1.61***(0.11)	1.20***(0.08)	
Executive succession	0.18 (0.10)	0.36* (0.18)	0.10 (0.12)	
Related diversification	0.04 (0.03)	0.16***(0.05)	−0.03 (0.04)	
Acquired firm	1.10***(0.12)	1.24***(0.21)	1.03***(0.15)	
Change in interest rates	−0.00 (0.00)	−0.00 (0.00)	−0.00 (0.00)	
M-forms in industry	11.98***(2.74)	2.62 (5.00)	6.97† (4.30)	
Theoretical variables[c]				
Imprints	0.06 (0.05)	−0.33* (0.14)	0.17** (0.06)	12.03***
Distribution contract	0.09 (0.06)	−0.16 (0.13)	0.19** (0.07)	6.08**
Acquiring firm	0.85***(0.23)	0.82 (0.72)	0.90***(0.25)	0.01
Resource competition	0.34* (0.16)	−0.47 (0.32)	0.83***(0.20)	11.37***

[a] Data are for 230 firms and 91 divisionalization events. Likelihood ratio χ^2 are: model A, 41.22*** ($df = 11$); model B, 91.78*** ($df = 22$); the difference between models is 50.56*** ($df = 11$). Values in parentheses are standard errors.

[b] Model A has time-varying intercepts and time-invariant effects of covariates. Model B has time-varying intercepts and time-varying effects of covariates.

[c] Model B's theoretical variables cannot be constrained to be equal across historical periods without significantly degrading the fit of the model ($\chi^2 = 29.00$, $df = 4$, $p \leq .000$).

† $p \leq .10$
* $p \leq .05$
** $p \leq .01$
*** $p \leq .001$

eter estimates between the two time periods because the hypotheses are unidirectional. The nesting of model A within model B allowed the use of a likelihood ratio chi-square statistic to test the comparative fit of model A with model B. The last column of Table 3 shows the results of the chi-square test of equality constraints across periods for individual coefficients.

On the whole, the results support the overall hypothesis that, with a shift from an editorial to a market logic, the determinants of a firm becoming a division of an M-form changed. The chi-square contrast comparing model A against model B indicates that model B, with both time-varying intercepts and time-varying effects, significantly improves the fit of the model ($\chi^2 = 50.56$, $df = 11$, $p \leq .001$). A chi-square contrast shows that the parameter estimates for all the theoretical variables as a group cannot be constrained to be equal over the two time periods without significantly degrading the fit of the model ($\chi^2 = 28.81$, $df = 4$, $p \leq .001$). Thus, the model of time-invariant effects can be rejected when all covariates are considered simultaneously. A chi-square contrast comparing the log-likelihood for constants-only models—the all-years model and the model with intercepts for the two time periods—shows that the base rate of divisionalization is significantly higher in period 2 than in period 1 ($\chi^2 = 27.92$, $df = 1$, $p \leq .001$).

The results support Hypothesis 1, stating that the negative effect of the strategy and structure of personal imprint publishing will be greater in the editorial period than in the market period. The estimate for the covariate imprints is positive and nonsignificant in the all-years model; it is negative and significant in the editorial period at the .05 level; and it is positive and significant in the market period, at the .01 level. A chi-square contrast indicates that the two parameter estimates for imprints cannot be constrained to be equal over the two time periods without significantly degrading the fit of the model ($\chi^2 = 12.03$, $df = 1$, $p \leq .001$). The effect of imprints on the base rate at which a firm becomes a division of an M-form is more than 1.5 times higher in the market period ($0.17 - [-0.33] = 0.50$) ($e^{.50} = 1.65$).

The results support Hypothesis 2, stating that the negative effect of the strategy of product distribu-

tion via contractual relationships will be greater in the editorial period than in the market period. The estimate for distribution contract is positive and nonsignificant in the all-years model; it is negative and nonsignificant in the editorial period; and it is positive and significant in the market period, at the .01 level. The two parameter estimates for distribution contract cannot be constrained to be equal over the two time periods without significantly degrading the fit of the model. The effect of distribution contract on the base rate is approximately 1.0 times higher in the market period than in the editorial period.

There is some support for Hypothesis 3, stating that the positive effect of the strategy of acquisition growth will be greater in the market period than in the editorial period. The estimate for acquiring firm is positive and significant ($p \leq .001$) in the all-years model; it is positive and nonsignificant in the editorial period; and it is positive and significant ($p \leq .001$) in the market period. However, the two estimates can be constrained to be equal over time periods. The effect of acquiring firm on the base rate is 1.0 times higher in the market period.

The results support Hypothesis 4, stating that the positive effect of resource competition will be greater in the market period than in the editorial period. The estimate for resource competition is positive and significant ($p \leq .05$) in the all-years model; it is negative and nonsignificant in the editorial period; and it is positive and significant ($p \leq .001$) in the market period. The two parameter estimates cannot be constrained to be equal across the two time periods without significantly degrading the fit of the model. The effect of resource competition on the base rate is more than 3.5 times higher in the market period than in the editorial period.

Control Variables

The effects of three control variables—organization age, ownership, and acquired firm—are positive and significant, independent of the effects of a shift in institutional logics. Consistent with Fligstein's (1985) findings, older firms were more likely to divisionalize than younger firms. Firms with access to public capital markets were more likely to divisionalize than privately held firms. Acquired firms were more likely to become corporate divisions.

Although the effect of executive succession is not significant in the all-years model, it is positive and significant in the editorial period, but not in the market period. An institutionalist interpretation is that leadership succession may account for the introduction of divisionalized organization (Fligstein, 1987; Mezias, 1990). The results for the theoretical variables support the argument that, with institutionalization, the locus of agency came to reside less in the effects of individual leaders and more in social structures and routines (Selznick, 1957). Note that the actual level of executive succession is not significantly different between the two periods and also that the results of a chi-square contrast test for coefficient equality are not significantly different ($\chi^2 = 1.44$, $df = 1$, $p \leq .23$).

Related diversification had a positive *effect* on divisionalization in the editorial period, but not in the market period. Note that Table 2 shows that there is no significant difference in the *value* of the variable related diversification for the two periods. This effect is consistent with large-sample studies offering evidence that economic sources of change in organization structure dissipate over time (Armour & Teece, 1978; Rumelt, 1974). Note also, in Table 2, that the *value* of the variable change in interest rates is significantly higher in the editorial period than in the market period.

The effect of the variable M-forms in industry is lower in both of the time-period equations in model B than in the all-years equation in model A. Although M-forms in industry is only a control variable, this result is methodologically interesting and demonstrates an important point in the institutional analysis of organizations with regard to the meaning and measurement of mimetic isomorphism (Mizruchi & Fein, 1999). Although used in previous research on the M-form, "percent adopters" variables can easily generate misspecification bias because they reflect trends—they tend to go up, but not down. My modeling approach reveals such a spuriously captured mimetic effect by comparing results from the piecewise and all-years models.

DISCUSSION AND CONCLUSION

This study extends the institutional analysis of structural change in organizations by asking why craft- and profession-based firms should adopt the divisionalized organization form, given their relative lack of scale economies. To examine this question, I identified two ideal-type logics, an editorial and a market logic, that lead to different organization strategies and structures for "growing" firms. Historical research and interviews with publishing industry experts established the meaning of the two institutional logics and that a change occurred in the logic prevailing in publishing in the mid 1970s. Applying event history models to the data revealed support for the general argument that the determinants of whether or not a firm became a corporate

division were contingent on the firm's seeking strategic and structural conformity with the prevailing institutional logic.

The change in logics can be understood as the movement of publishing houses from one institutional sector to another—from the logic of the professions and industry-specific traditions to the logic of the market and the field of the *Fortune* 500. Publishers, firms that used to be closer to the core values of academic and social elite networks, moved closer to the core values of the field of business corporations. This shift in logics resulted in an increase in the importance of market determinants and a decline in the salience of professional determinants of organization structure.

With respect to the professional determinants, imprint publishing had a negative effect in the editorial period and a positive effect in the market period on the rate of divisionalization. The strategy and structure of relational network forms of organization, measured here by variables such as personal imprints and distribution contracts, was based on small, stable businesses in which personal connections and reputation were important. In stable environments, getting better at doing old things may aid survival. However, under conditions of environmental change, basing a publishing business on the attributes of personal capitalism was no longer perceived as an effective solution to growth and resource competition.

Distribution contracts had a positive effect on divisionalization in the market period, but not in the editorial period. Although distribution contracts are consistent with the shift in publishers' attention to building market channels, they are a strategy that emphasizes a network structure, which conforms less to a market logic than does the vertical integration of marketing and sales in a hierarchy. Alternatively, it could be argued that firms that used distribution contracts were weakened relative to other publishers that were vertically integrated and therefore sought to remedy their weakness by changing their organizational structures. However, if this were the case, one would expect a universal effect across all periods. Moreover, my finding for distribution contracts held after I controlled for firm acquisition (an exit strategy typically indicating a firm's weakness) and for other economic factors, such as related diversification and the supply of capital. The marketing executive seeking to remedy excess distribution capacity through contracts with outside publishers had not yet come of age in the editorial period. However, as my informants described, in the market period in publishing, sales and marketing executives, who were often without editorial backgrounds, used the changing conditions in the marketplace to advance new policies beneficial to their own subunit power by implementing growth strategies that pressured firms to adopt divisionalized structures.

With respect to the market determinants, growth by acquisition had a positive effect on divisionalization in the market period, but not in the editorial period. There is no statistically significant difference between the two periods in the number or value of the variable acquiring firm. These results suggest that the implications of growth through acquisition for a change to a divisionalized structure may be contingent on the prevalence of a market logic. However, it is important to note that the null hypothesis cannot be rejected. The chi-square contrast is not significant, and the effect in the all-years model is highly significant, indicating that this market determinant of organization structure is more universal and less culturally contingent than the others.

Resource competition had no effect on divisionalization in the editorial period and a strong, positive effect in the market period, even though resource competition—the number of publishing organizations relative to the number of students enrolled in colleges and universities—was higher in the early 1960s than at any time during the period when the market logic prevailed (see Figure 2). Note also that there is no statistically significant difference in the mean value of resource competition for the two periods. This suggests that attention to resource competition is not universal, but culturally contingent, depending on the prevalence of a market logic rather than on the actual level of competition experienced in a marketplace (DiMaggio, 1994). This finding also supports Powell's (1990: 307) arguments that the relational network structures typical of traditional publishing in the editorial period were an alternative to hierarchies as a means of dampening the effects of competition.

This study advances academic understanding of agency in institutional theory (DiMaggio, 1988). Prior studies have shown how the decisions of organizations are linked with organizational fields through resource dependence on the state, for example, when organizations obtain resources, certification, and legitimacy via government contracts and state regulation (Baum & Oliver, 1992; Schneiberg & Bartley, 2001). My findings illustrate how the decisions of organizations are linked to organizational fields through culture by showing how institutional logics moderate vulnerability to resource dependence and resource competition. Prior studies have shown that individuals are carriers of logics in that the corporate backgrounds and professional schooling of CEOs predict the

adoption of the M-form (Fligstein, 1985; Palmer et al., 1993). My study shows that, after CEO succession was controlled for, organization-level social structures and routines such as acquisition growth were carriers of institutional logics.

Other limitations in the data may affect the interpretation of the results. First, according to arguments based on economic contingency and managerial perspectives, firms that divisionalized are those that simply became larger over time. However, previous studies done from a political cultural perspective have shown that organization size is not a significant factor in adoption of the M-form (Fligstein, 1985: 385–387; Palmer et al., 1987: 37, 1993: 118). Note also that my findings hold after I controlled for organization age and diversification, both of which may be proxies for organization size. In addition, the independent variable, the number of publishing imprints, is also a measure of organization size and differentiation and is comparable to a measure of the number of departments in an industrial firm. Given this, if size is the main driver of divisionalization, imprints should be positive and significant in both periods, rather than suppressing divisionalization in the editorial period and propelling it in the market period.

Second, firms that divisionalized may have been those that were just more profitable over time. However, Palmer and colleagues (1993) found no significant relationship, and Fligstein (1985) did not examine profitability. Recall that my analysis is not of *Fortune* 500 firms, and therefore I could not obtain firm-level financial data because many of the publishing organizations in the sample were privately owned in the editorial period and were divisions of multidivisional firms in the market period. A separate analysis of a subsample of higher education publishing firms voluntarily reporting to the Association of American Publishers showed that profits were unrelated to organization size and that, with respect to larger firms, profits decreased with increased organization size (Thornton, 1999b).

This study suggests several avenues for future research, chief among them research on how products that have an impact on culture and society are affected by a shift in governance from the crafts and the professions to markets and corporate hierarchies. According to research from the production of culture perspective, the effects of the corporate form on product choice and innovation in cultural industries, such as radio, music, and book publishing, remains debated and warrants further study (Peterson & Berger, 1996).

Although changes in institutional pressures encouraged publishers to become corporate divisions, research should examine whether firms that did so made the best strategic choice. Did corporate divisions have a higher rate of survival than personal imprint publishers that remained true to the traditions of an editorial logic? Addressing such questions can extend ecological and institutional analyses and explore how multi-unit organizations affect the rate of founding and disbanding of firms (Amburgey & Rao, 1996; Land, Davis, & Blau, 1994; Thornton, 1999a).

The specific findings of this study may not be generalizable to other contexts. However, the theory that has been tested may apply to important industries that have been governed by the crafts, the professions, and personal capitalism and that are undergoing transformation under the influences of market capitalism, such as health care, education, film, and luxury brands (Djelic & Ainamo, 1999; Mezias & Mezias, 2000; Scott, Ruef, Mendel, & Caronna, 2000; Sperling, 2000). Such industries differ from the manufacturing industries on which much of organization theory is based, because their products marry art, reputation, human welfare, culture, and commerce. My findings from a population-level analysis of both small and large firms are consistent with those studies of large industrial firms (Fligstein, 1985; Palmer et al., 1993) in that institutional effects hold, net of proxies for organization size. However, reconciling the implications of differences in industrial and craft- and profession-based firms for organization theory is an underresearched area.

The consequences of the rise of market capitalism in higher education publishing and in other craft- and profession-based industries also parallel higher-order transformations that are occurring as a global phenomenon. However, the supposed spread of neoliberalism and market logics across the boundaries of nation-states remains understudied from the perspectives of organization theory, particularly with respect to alternative forms of governance and the consequences for workers (Barley & Kunda, 2001; Fligstein, 2001; Simpson, 1989).

I propose that the way in which institutional logics create pressures for organizational change is by structuring the attention of decision makers in organizations (Ocasio, 1997). The findings suggest that conflict between institutional logics creates pressures for organizational change. Once an institutional logic becomes dominant, it affects a firm's strategy and structure by focusing the attention of decision makers toward those issues that are consistent with the logic, whether editorial or market, and away from those issues that are not. Organizations are social structures that carry institutional models (Scott, 1995). Those that are in conformity

with the dominant institutional logic are more likely to be legitimate and competitive and immune from change pressures. However, the legitimacy and competitiveness of an organization are relative concepts. They cannot be evaluated by comparing them to an absolute standard, but only by comparing them to the perceptions of other decision makers and to the structures of other organizations in historical and cultural context (Amburgey & Dacin, 1994: 1436).

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APPENDIX

Interview Methodology

Publishers representing experience at both the editorial and the executive levels employed in organizations of varying age, size, and structure were first contacted by telephone and asked to suggest individuals they believed had had broad experience and important reputations in the industry during the observation period. The publishers identified most often by their peers were invited by letter and follow-up telephone call to be interviewed. The chief executive publishers in this group had often begun their careers in entry-level sales positions and had worked in both sales and acquisitions of authors and manuscripts for several publishing organizations.

A 23-question interview was administered to these publishers in San Francisco, Washington, DC, Boston, and New York. The interview narrative asked publishers to describe how higher education publishing had changed from the 1960s to the end of the 1980s in respect to leadership, management strategy, organization structure, products, and technology. Many of the questions were open-ended and required recollection of past events. Respondents were asked to put themselves in the frame of reference of the particular historical time and to try not to use the benefit of hindsight. Similarly, a 38-question interview was administered to representatives of three investment banks identified by publishers as the key banking firms to the industry. In addition, two directors of well-known university presses were interviewed, one of whom was the president of the Association of American University Presses. Interview protocols were approved by the Human Research Subjects Review Board at Stanford University, where the research was conducted. All respondents except one agreed to have their interviews tape-recorded.

Patricia H. Thornton *(thornton@mail.duke.edu)* is an associate professor in the management area. She received her Ph.D. at Stanford University in 1993. Her research and teaching interests are in organization theory, entrepreneurship, and strategy. The focus of her research is on constructing and testing theories that provide a better understanding of the impact of institutional change on organization decisions, such as executive succession, acquisition, and organization strategy and structure.