
Breathing New Life into Organizational Mortality Research: A Multi-Theoretic Treatment

Donovan Y. Collier¹

¹University of the District of Columbia, School of Business and Public Administration,
4200 Connecticut Ave NW, Washington, D.C., 20002, USA

doi.org/10.51505/IJEBMR.2023.71007 URL: <https://doi.org/10.51505/IJEBMR.2023.71007>

Received: Aug 31, 2023

Accepted: Sep 13, 2023

Online Published: Oct 17, 2023

Abstract

This discussion focuses on the importance of understanding organizational mortality and argues for a renewed focus on this critical area of research. Organizations have changed in fundamental ways since the previous era of organizational mortality research and require a fresh look if we are to understand how these changes might impact the risks and consequences of failure. Furthermore, the tendency of organizational exit rates to cluster around recessionary periods would suggest that refocusing on the subject now could be particularly prescient. To this end, a number of theoretical perspectives are reviewed and possible extensions are proposed. Potential avenues for theory synthesis and integration are discussed.

Keywords: organizational mortality

Introduction

Organizational failure can have devastatingly deleterious social, as well as economic consequences for impacted communities. The livelihoods of those dependent upon organizations for employment, even the welfare of whole communities, suffer when those organizations terminate operations. In extreme cases, organizational mortality may indirectly lead to the loss of life when the consequences for individuals spiral out of control. Despite its obvious effects, the phenomenon of organizational mortality has received sporadic and limited attention in the research literature. Whetten (1980) called for increased research focus on organizational failure and the economic recessions of the early 1980s buoyed this call. The subsequent research made important contributions to our understanding of the antecedents and processes of organizational mortality through such theoretical lenses of population ecology, institutional theory, and the resource-based view of the firm. In particular, these studies contributed to our knowledge of the significant impact that factors such as age, size, and organizational change play in determining the ability of a firm to survive.

Another increase in organizational mortality research interest came about in the early- and mid-1990s, likely as a reaction to the economic recessions around the world during the years prior. Curiously, however, review of the literature suggests that the “Great Recession” (2007 – 2009) did not trigger a similar uptick in organizational mortality research despite U.S. Census Bureau data reporting that 2009 establishment exit rates matched those of the years immediately following the recessions of the early 1980s, 1990s, and 2000s. Indeed, the spate of organizational exits of that period continued a longer year-over-year increase than during any other period since

the 1970s. As interest rates continue to rise and inflation puts pressure on consumers, perhaps turning research attention again to the issue of organizational mortality can offer unique opportunities to make progress toward addressing some of the questions that remain unanswered. The argument made here is essentially twofold. First, because organizations today are different in important ways from the organizations studied during previous waves of mortality research decades ago, the phenomenon deserves another look. Organizations today take more varied forms, are more technologically advanced, exhibit greater degrees of interdependence, can project influence across greater geographic distances and, in general, are more complex. Organizational environments are also increasingly complex and regionalized (versus globalized) which is introducing challenging dynamics for multinational organizations. Further, the platforms from which organizations can compete have changed in fundamental ways as use of the web-based service platforms and artificial intelligence is becoming increasingly widespread. Regulatory environments are also more complex and, for those organizations involved in cross-border activity, the sheer volume of regulatory requirements that must be met is enormous. Each of these examples could have an impact on firm survival independent of each other and it certainly is not difficult for one to appreciate the resultant complexity when the factors are considered in concert.

Secondly, theoretical perspectives that have not yet featured prominently in the organizational mortality literature may offer some unique insights. Taking a fresh look at the phenomenon with some of the more traditionally used theories in hand may too be illuminating and could further enrich prior work in the area. For example, given the increased complexity that pervades organizations and their contexts, does the research landscape now lend itself to theoretical integration? As such, the intention is that the following discussion will serve as a stepping off point to discover new and useful paths for understanding organizational mortality.

Thus, the purpose of this article is to make manifest the importance of organizational mortality research and to encourage a refocusing of scholarly attention on the issue given the more complex nature of today's organizations and their environments. Furthermore, great potential for increased understanding might be offered by peering through various theoretical lenses with fresh eyes. This effort begins with a short discussion of what is meant by the term *organizational mortality* in an attempt to distinguish it from similar terminology. Next, various theoretical perspectives are reviewed and propositions for extension are offered. The final section highlights opportunities for further integration and synthesis.

Defining Organizational Mortality

Defining organizational mortality has proven somewhat problematic for scholars. Indeed, there exists neither within nor between disciplines a common definition of organizational failure (Cameron et al., 1988; Weitzel & Johnson, 1989). Indeed, terms as varied as decline, mortality, exit, death, retrenchment, bankruptcy, and downsizing have all been readily used throughout the broader organizational failure literature; sometimes interchangeably. Some imply a focus on process while others suggest that a particular event is of primary importance. Additionally, a number of studies have defined failure as deviating from expected results while others have considered failure to mean "ultimate" failure (Cannon & Edmondson, 2004; Mellahi, Jackson, & Sparks, 2002; Amburgey, Kelly, & Barnett, 1993).

The intention in this paper is to focus on organizational failure in the most drastic of its interpretations; that being the case in which an organization ceases to operate (Barnett & Freeman, 2001). According to Weitzel and Jonsson (1989) "organizations enter a state of decline when they fail to anticipate, recognize, avoid, neutralize, or adapt to external or internal pressures that threaten the organization's long-term survival" (p. 94). This need not necessarily result in operational shutdown, however, and studies that place an emphasis on decline as opposed to mortality will not be a focus of this discussion. Those studies that focus on retrenchment, bankruptcy or downsizing will also not be included in this discussion as none of these must necessarily be synonymous with an organization ending its operations and even have, in many cases, been used strategically to ensure organizational survival. Similarly, organizational exit need not mean an organization has ceased to operate as it may have simply exited a given market; again, a measure that could itself be employed to ensure the survival of the organization. Therefore, organizational mortality, death and failure in its ultimate sense will be used here to refer to a situation whereby an organization must terminate its operations because it can no longer continue as a distinct legal entity (Singh, House, & Tucker, 1986). These terms will be used interchangeably throughout the remainder of this discussion.

The following section opens by pointing out a key debate in the organizational failure literature concerning the relative significance of internal versus external factors, then examines the failure phenomenon from various theoretical vantage points. At the same time, previous findings are reviewed and a series of propositions are presented.

Theoretical Perspectives Reviewed and Extended

A key debate among researchers of organizational failure focuses on whether internal factors or external factors have greater impact on organizational death. Those who subscribe to the former can trace the theoretical bases for their arguments to the organizational studies and organizational psychology literatures (Mellahi & Wilkinson, 2004). These scholars argue that capacities internal to the organization are the forces that keep failure at bay. This voluntaristic approach attributes organizational death to internal inadequacies in meeting the challenges posed by the organization's external environment. That is not to say, however, that there is complete agreement among these scholars concerning the ways in which internal factors influence organizations; only that there is agreement between them that endogenous factors play a more significant role than exogenous factors when it comes to organizational mortality.

On the other hand, there are scholars who argue for the importance of external factors in organizational death (Mellahi & Wilkinson, 2004). In contrast to those previously mentioned, these scholars can trace the foundations of their arguments to the classical industrial organization and organizational ecology literatures. These deterministic perspectives attribute the fate of organizations to factors that lie principally beyond the influence of organizational actors and, thus, the role of managers can be largely overlooked. Here too there is disagreement concerning which factors most contribute to organizational failure but consensus that exogenous rather than endogenous factors are the primary drivers of organizational mortality. The section that follows will reflect this divide though a subsequent section concerning synthesis and integration will revisit these topics.

Organizational Ecology

Perhaps the most prominently featured theoretical perspective in the organizational mortality literature is that of organizational ecology. Originally formulated in the work of Hannan and Freeman (1977) as the population ecology of organizations, these terms have become synonymous over time. This theoretical perspective examines the environment in which organizations are embedded and seeks to understand the ways in which organizations emerge, exist, and die through a process similar to natural selection. The foundational premise is that environmental factors largely determine the survival (or not) of an organization and was originally proposed as an alternative to what was, at the time, the dominant adaptation perspective.

This ecological perspective addresses a number of key concepts relevant to the organizational mortality literature including density dependence, age dependence, niche width, and inertia. Concerning density dependence, this theoretical perspective posits that organizational founding and mortality are dependent upon the number of organizations present in a given market (Hannan & Freeman, 1977). Two ideas are central to this component of the theory. First, organizational legitimacy generally increases as the number of organizations in a given market increase. Second, provided the resources necessary to sustain the organizations in the market are finite and the capacity for organizations to expand is not, competition will increase. Thus, competition also increases as the number of organizations present in the market increases. The prediction, then, is that as the density of organizations in the population increases, legitimacy will increase at the same time that competition for resources increases, resulting in an increased rate of organizational mortality as organizations that are comparatively less legitimate are increasingly unable to secure the resources they need to survive.

A number of studies have investigated the impact of population density and the resulting increase in competition on organizational mortality. Examining the effects of population density and competitive intensity at founding on the mortality rates of U.S. breweries and Argentine newspaper organizations, Swaminathan (1996) found that organizations founded in environments that were densely populated and had high levels of competitive intensity displayed higher rates of mortality than did organizations founded in less adverse environments. Previous studies such as that conducted by Carroll and Delacroix (1982) corroborate these findings. Interestingly, though, organizations that survived beyond a certain age in adverse environments had lower mortality rates than organizations founded in less adverse environments. This seems to suggest that the legitimating effect of surviving foundation in an adverse environment is greater than the legitimating effect of surviving foundation in a less adverse environment. A study focusing on both Irish and Argentine newspaper organizations corroborates the plausibility of an increase in the legitimating effect of surviving foundation in adverse environments (Levinthal, 1991). It was found that surviving organizations tend to be organizations that were successful in previous periods and this success insulates them from subsequent selection pressures. Other studies suggest that the relationship between population density and organizational mortality is more complex than it might seem at first glance. Hannan and Freeman (1988) found in a study of American national labor unions, evidence that suggests disbanding (mortality) rates decrease initially then eventually increase as population density increases from low to high.

Proposition 1. Changes in the geographic scope of organizational activity (i.e., globalized versus regionalized) will impact the importance that factors like age, size, and density have on the likelihood of organizational mortality.

Proposition 2. Changes in the geographic scope of organizational activity (i.e., globalized versus regionalized) will impact perceptions of organizational legitimacy and, subsequently, rates of organizational mortality.

Institutional Theory

Institutional theory has provided scholars with a useful perspective from which to examine organizational failure. Institutional theorists consider the institutional environment in which organizations are embedded and posit that the environment exerts structural and procedural pressures on the organizations within it (Meyer & Rowan, 1977). This pressure affects organizational behavior in that, for an organization to survive, it must conform to environmental rules and norms to be seen as legitimate by other members of the community. The forces that encourage isomorphism among organizations in any given environment are forms of pressure that have been labeled coercive, normative, and mimetic (DiMaggio & Powell, 1983). In addition to being seen as legitimate, institutional theorists hold that an organization is more likely to survive if it obtains social support and approval from constituents external to the organization but that are members of the organizations institutional environment (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; DiMaggio, 1988; Powell, 1988).

Relatively few studies have empirically investigated organizational mortality from an institutional perspective alone. A number of studies, however, have considered this perspective in conjunction with other perspectives, namely the organizational ecology perspective (Zucker, 1987; Carroll & Huo, 1988; Carroll & Hannan, 1989). Baum and Oliver (1991) examined the impact of institutional linkages on the failure of child care service organizations. The results of the study showed that organizations with institutional linkages exhibited a significant survival advantage over organizations without institutional linkages and that this advantage increased as the intensity of competition increased. Similarly, using an exploratory model, Sheppard (1994) investigated the effects of corporate and business level strategies, as well as cooperative inter-organizational and financial strategies, and found a positive relationship between firm survival and the number of inter-organizational connections.

An interesting extension to the organizational mortality literature might be to consider the differential impact of engaging in various responses to institutional pressures on failure. Oliver (1991) proposes five strategic responses to institutional pressures: acquiescence, compromise, avoidance, defiance, and manipulation. Empirical investigation could reveal whether particular responses more often lead to organizational death than others.

Proposition 3. Different strategic responses to institutional pressures will result in different likelihoods of organizational mortality.

Resource Dependence Theory

Resource dependence theory is a theoretical perspective with which institutional theory shares a number of assumptions. For example, both perspectives hold that organizational behavior is constrained by forces external to the organization itself. Both perspectives also recognize the

inherent interconnectedness of organizations and that survival is dependent upon the ability to respond to external demands.

The two perspectives begin to diverge, however, when one considers which characteristics of the external environment each theory holds responsible for the pressure on the focal organization. In contrast to institutional theory, which considers the institutional pressures present, resource dependence theory attributes the pressures exerted on the focal organization to the task environment. The difference in foci suggests an underlying difference concerning the location of power in the external environment (Oliver, 1991). This recognition results in an emphasis, not on conforming to norms as the institutional perspective would prescribe, but instead on adapting to uncertainty found in the external environment and actively controlling resources to cope with interdependencies (Pfeffer & Salancik, 1978).

The basic premise, then, is that organizations are dependent on limited resources that originate in any given organization's external environment and survival is dependent on the organization's ability to secure resources critical to its own operations. When competition between organizations for the control of resources is considered, the element of power becomes evident. If resources critical to the operations of one organization are held by another organization then the latter is said to have power over the former to the extent that the former cannot access the resources it needs that are held by the latter. This power dynamic has changed, though, with the rise of the sharing economy in which resources are jointly or alternately shared. Nevertheless, in summary, resource dependence sheds light on the ways in which access to resources external to the organization influence its behavior.

The resource dependence approach has been applied to organizational failure though, again, not extensively and often not explicitly. Examining the ways in which organizational niches within a population of daycare centers influence patterns of competition and mutualism, Baum and Singh (1994) found competitive effects of overlap density and mutualistic effects of non-overlap density. Sheppard (1995) developed and tested a predictive model of organizational survival or failure and found positive relationships between organizational survival and the present level of firm resources, influence with critical resource providers, and the stability of the industry environment.

Proposition 4. The increased prevalence of resource sharing will change the extent to which dependence on critical resources will impact rates of organizational mortality.

Complexity Theory

Complexity theory is a perspective that may offer a particularly interesting opportunity to focus on organizational mortality given the unique challenges faced by modern organizations. A relatively modern adaptation of chaos theory, complexity theory examines how the various elements of a system can unintentionally demonstrate patterned behavior that, while present in the system, are not present in any individual component of that system (Wallis, 2009). These emergent properties often cannot be predicted; thus, the effectiveness of control mechanisms placed throughout the system may be rendered less effective (Boulton, 2010). This defining characteristic of complex systems suggests that one cannot know with certainty the effect of a change on the system. A small change may result in a large impact on the system or no impact at all. The converse is also true. A large change may have a significant impact or none whatsoever.

A review of the organizational failure literature yields very few studies in which this theoretical perspective has been applied even though the uncertainty that arises from high levels of complexity may have an impact on failure. Understanding the organizational capacity to cope with the complexity of the system in which it is embedded would, therefore, seem crucial to organizational survival. A study conducted by Anderson and Tushman (2001), however, found that organizational exit rates were not associated with the level of environmental complexity in the environment. Instead, exit rates were found to be associated with uncertainty. In light of the unpredictable nature of a complex system's emergent properties, these results seem to suggest that complexity may interact with uncertainty in a more sophisticated way than previously thought. Of course, capturing data in such complex adaptive systems may prove difficult, however, through incremental advances it may be possible to make progress in understanding the uncertainty that emerges out of complex systems.

Proposition 5. Organizational mortality rates will differ across various levels of organizational complexity and organizational uncertainty.

Network Theory

Network theory examines the structure of relationships that exist among organizations and the resultant influence on organizational behavior. An important concept in the network approach is that of centrality which refers to an organization's position in the relationship network. Organizations with high levels of centrality are positioned in such a way that they have relatively more relationship ties than other organizations. Being central to a network structure is important because it allows organizations to enjoy superior returns as a result of access to better information and opportunities (Gulati, Nohria, & Zaheer, 2000).

The literature also points to a potential downside to networks in that firms can become engaged in detrimental relationships which are difficult to dissolve or preclude the formation of alternative relationships (Gulati, Nohria, and Zaheer, 2000). Should a more desirable alternative relationship circumvent the central position the organization that occupies it could find itself unable to cope with the change.

In the organizational mortality literature, network theory is often a supplement to a discussion that takes an institutional, ecological, or resource dependent perspective. Furthermore, network studies tend, in general, to emphasize analysis of 'data about organizations rather than for understanding organizations per se' (Salancik, 1995). Similarly, scholars of organizational failure have concentrated on how direct linkages influence organizations while overlooking the more distal impact of the existence or nonexistence of a given relationship tie.

Proposition 6. Network tie characteristics will be related to an organization's proximity previous organizational failure.

Proposition 7. Whole network organizational mortality rates will differ from partial network organizational mortality rates even within the same industry.

Strategic Choice Perspective

The strategic choice perspective has had a significant impact on thought in the study of management and organization science in general as well as among scholars focused on organizational mortality. This approach holds, at its core, that managers matter and that the decisions they make about organizational strategy are the primary drivers of firm performance

(Child, 1997). While conducting a series of studies in the early 1970s that sought to investigate how organizations respond to environmental conditions, identify any existing organizational archetypes and compare phenomena across industries, Miles and Snow (1978) observed that managerial perceptions, organizational structure and organizational processes all seemed to be associated with persistent patterns of response to environmental demands.

According to this perspective, managers must continually address three omnipresent problems. The entrepreneurial problem is one of defining the organizational domain; what the authors referred to as the product-market domain. The engineering problem is focused on choosing the appropriate technologies for production and distribution of the organization's products. Finally, the administrative problem rests in identifying and providing all that is necessary to support solving the entrepreneurial and engineering problems. This process of continually addressing these three problems is referred to as the adaptive process and from it a key idea emerged. Not only do structure and process follow strategy but also the ability to change from one strategy to another is constrained by the structure and process resulting from previous strategic decisions.

This theoretical approach would seem to be ideal for strong and direct application within the organizational mortality literature, however, its core tenets are invoked much less often than one might expect. Though it is beyond the scope of the present discussion, this perspective has been applied in the decline and bankruptcy literatures (D'Aveni, 1989; D'Aveni & MacMillan, 1989; Sheppard, 1994). The mortality literature is not completely without its own examples, though. Barnett and Freeman (2001), investigating the impact of product proliferation on failure among U.S. semiconductor manufacturers, found that having a large number of products, especially innovative products, lowers organizational mortality rates but that mortality rates increase substantially when multiple products are simultaneously introduced. Others have considered the effect of successive missteps by the dominant coalition and how this can lead to organizational failure (Sheppard & Chowdhury, 2005; Mellahi, 2005).

Proposition 8. The constraining effects of strategy will differentially impact organizational mortality rates within and between strategic groups.

Upper Echelons Theory

Upper echelons theory focuses on the ways in which situational factors and background characteristics of top management interact to determine strategic choices (Hambrick & Mason, 1984). The basic premise is that individual managers will react to situational factors differently as a result of differences in character. By understanding both the situation and the individual characteristics of the manager, one can better predict the choice any given manager might make.

Indeed, adopting an upper echelons perspective when considering organization death may be a useful approach. One such study, investigating the relationship between entrepreneurial age and organizational survival times among small firms, found that entrepreneurial age at founding had a significant impact on organizational mortality rates (Preisendoerfer & Voss, 1990). An interesting approach might be to move beyond easily observable characteristics like age and investigate the impact of character traits that are more difficult to assess. For example, what affect might managerial rigidity have on the decision to shift from, or even recognize, a course of action that will cause the organization to fail? Could managerial impulsivity cause decisions to be taken prematurely and lead the organization down a path that ends in failure? Investigating

these and other questions may provide useful insights into the impact managerial character traits might have on organizational death.

Proposition 9. Various deep-level managerial characteristics will differentially impact organizational mortality rates.

Signaling Theory

Signaling theory is a perspective that has become popular among organizational scholars and is applied throughout the management literature in a wide range of organizational contexts. The approach is useful for describing organizational behavior when access to information is asymmetric and people, groups, or entities wish to communicate information about themselves to others (Spence, 1973). Information asymmetries arise between entities because not all relevant information is public or easily accessible; indeed, much effort is often invested in preventing information from being made available.

A number of elements of signaling theory are of critical importance; perhaps none more so than the nature of the signal itself. Two vital characteristics of any signal are its observability and the cost associated with sending it (Connelly et al., 2011). Signal observability is the extent to which a signal can be readily perceived by others. Unobservable signals will be ineffective in communicating otherwise imperceptible information to receivers. Signal cost refers to the costs associated with being able to fulfill the requirements that result from sending a signal. In the case that a signaler cannot fulfill these requirements, the signaler will incur some penalty which must be structured in a way that deters false signaling (Connelly et al., 2011).

Signaling theory is primarily concerned with actions that are taken to intentionally communicate positive qualities (Connelly et al., 2011). Certo (2003), drawing upon signaling theory, institutional theory and sociological research suggested that constructing a board structure that investors perceive to be prestigious will signal legitimacy and improve firm stock performance. Of course, the information the signal carries to the receiver is not always perceived positively in accordance with senders' intentions. Indeed, signals can be misinterpreted and have unintended effects and examination of these unintended effects of signaling may hold promising avenues for future organizational mortality research. Consider first the potential for unintentionally sending conflicting or negative information (Connelly et al., 2011). This could result in the signaler incurring signal costs that are negatively related to an imperceptible characteristic of the signaler. In isolation this may be damaging but likely would not facilitate a precipitous decline resulting in organizational death. If this dynamic is examined in the context of the network within which the organization is embedded, however, it may be possible that the aggregate effect of proximal and distal unintended and negatively perceived signals could erode network ties to a point of disrepair; a possibility that will be discussed further in the subsequent section.

Another interesting extension to the organizational mortality literature would be to investigate the effect that the repeated and conscious sending of false signals might have on employees when employees are aware of, or reluctantly party to, the charade. Employee motivation may decrease and negatively impact firm performance. Employees may leave the organization altogether and spark a cycle of turnover that could rise to a level with which the organization could not cope. The demise of the organization may not be sudden but the corrosive cross-level effects of persistent organizational dishonesty could play a key role in its ultimate failure.

Proposition 10. Different types of signaling activity are associated with different rates of organizational mortality.

Proposition 11. The impact of signaling activity at different levels of the organization differentially impact organizational mortality rates.

Resource-based View

The resource-based view has often been employed in the study of organizational failure (Fichman & Levinthal, 1991; Bruederl & Schuessler, 1990; Singh, Tucker, and House, 1986; le Mens, Hannan, & Polos, 2011). This theoretical perspective can trace its origins to the influential work of Penrose (1959) and focuses on the internal resources of an organization. It examines the relationship between the internal characteristics of a firm and performance (Barney, 1991). Penrose conceived of a firm as being a bundle of resources and described the limitations placed on firm growth in terms of the resources the firm controls and the opportunities the firm has to deploy its resources. Daft (1983) defined firm resources as ‘all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness.’ Furthermore, for these resources to be considered strategic and thus a source of competitive advantage they must be valuable, rare, inimitable, and unique in the sense that there can be no ‘strategically equivalent substitutes for this resource that are valuable but neither rare nor perfectly imitable’ (Barney, 1991).

As mentioned above, the resource-based view has featured prominently in the organizational failure literature; however, its use has not always been explicitly stated or expounded upon by the authors who invoke its core elements. Questioning the generalizability of Stinchcombe’s (1965) claim that there exists an age-dependent decline in organizational death rates, Bruederl and Schuessler (1990) found support for a ‘liability of adolescence’ rather than of ‘newness’ among West German businesses. Their study of more than 171,000 firm registrations and ‘deregistrations’ over a ten year period found an inverted U-shaped mortality risk pattern indicating that risk initially increases then subsequently decreases as the organization ages. Presumably, the greater the strategic resource endowment available to the firm at founding the lower will be the risk of failure shortly after founding. As these resources are depleted, however, risk of mortality increases with firm mortality reaching a peak between one and fifteen years after founding. Thus, internal resources would seem to impact the firm’s competitiveness and performance in a way consistent with the resource-based view; though no mention is made of this extensive body of work.

Proposition 12. Organizations’ internal resources beyond their initial resource endowments interact with firm age and other factors to impact organizational mortality.

Opportunities for Integration and Synthesis

The breadth of the organizational ecology perspective is potentially problematic. Ironically, the broadly applicable explanatory power of this theoretical perspective has also made it a source of considerable difficulty in terms of theory development in the area of organizational mortality. It is inescapably obvious that this perspective is applicable in nearly any discussion of organizational failure. Frequently, however, elements of other perspectives make their way into the discussion without having been explicitly elaborated upon. Though the ecological perspective

is often the point of departure for a discussion of organizational mortality, the development of the argument will incorporate some other theoretical perspective to make the argument more robust without making clear the integration of the different perspectives.

Studies that have investigated the impact of age dependence offer illuminating examples for consideration. As previously mentioned, age dependence is a key component of the organizational ecology perspective that features prominently in the organizational mortality literature; perhaps more prominently than any other. The foundational premise here is that as organizations age the risk of mortality to which they are exposed varies. Empirical research has achieved conflicting results giving rise to three predominant patterns of liability related to organizational age. The liability of newness assertion posited by Stinchcombe (1965) holds that organizations are at a high risk of organizational failure immediately after founding and that this risk decreases as the organization ages. This view holds that the hazard posed by newness declines monotonically as organizations age and suggests that the older an organization the less risk of organizational death it will experience.

In opposition to the liability of newness view is the liability of obsolescence perspective. This view holds that as organizations age their risk of failure increases primarily as a result of a reduction in fit between the organization and its environment. Incorporating elements of both the liabilities of newness and obsolescence perspectives, the liability of adolescence view posits that the risk of organizational death neither increases nor decreases monotonically with age but initially increases then decreases instead. The idea is that as initial resource endowments are depleted, the risk of organizational failure rises to a certain age then begins to decline (Fichman & Levinthal, 1991).

Support can be found for each of the age dependent perspectives mentioned above (Freeman, Carroll & Hannan, 1983; Bruederl & Schuessler, 1990; Fichman & Levinthal, 1991; Hannan, 1998). For example, in a study using data from three populations of organizations, Freeman, Carroll, and Hannan (1983) found support for the liability of newness hypothesis in each of the populations but noted that the liability differed depending on the type of death experienced. Bruederl and Schuessler (1990), on the other hand, found that the ‘liability of newness’ hypothesis did not extend to West German business organizations and instead proposed a “liability of adolescence” based on their findings. It was shown that mortality rates, depending on initial resource endowments, peak between one and fifteen years after founding.

These findings suggest elements beyond those external to the organization influence the risk of mortality that organizations face. It would seem appropriate to incorporate a discussion of internally focused theoretical perspectives (e.g., resource-based view) to offer a more thorough understanding of organizational death. There have, of course, been other calls for work toward bridging this gap to be undertaken (e.g., Mellahi & Wilkinson, 2004) but in only a few cases have attempts to do so been carried out (Baum & Oliver, 1991; Singh, House, & Tucker, 1986; Singh, Tucker, & House, 1986; le Mens, Hannan, & Polos, 2011). One such study conducted by Singh, House, and Tucker (1986) shows that selection and adaptation are complementary rather than contradictory and pointed out a need for simultaneous modeling to build a more complete theory. Perhaps additional work in the same vein could provide interesting insight and direction.

Specifically, integration of externally- and internally-focused perspectives of organizational mortality can provide valuable insight and enrich current understandings of organizational mortality.

Offering another potential opportunity for theory integration, consider the proposition related to the consequences of unintended signals offered earlier in this discussion. The proposition suggested that signals sent intentionally in an effort to communicate positive information about the signaler may be interpreted by the receiver in a way that was not intended by the signaler. It is further implied that a preponderance of these unintended negative signals could weaken or dissolve critical network ties to a point of disrepair; leaving the organization isolated and lacking the ties needed to maintain independent operations. Pursuing this direction would require a discussion of at least three distinct theoretical perspectives: signaling theory, complexity theory, and network theory.

Conclusion

This discussion has focused on the importance of organizational mortality research and attempted to argue for a renewed research focus on this critical phenomenon. Organizations have changed in fundamental ways since the previous era of organizational mortality research and require a fresh look if we are to understand how these changes impact the risk of failure. Furthermore, the tendency of organizational exit rates to cluster around recessionary periods would suggest that refocusing on the subject would be timely.

References

- Amburgey, T. L., Kelly, Dawn, & Barnett, W. P. (1993). Resetting the clock: The dynamics of organizational change and failure. *Administrative Science Quarterly*, 38, 51-73.
- Anderson, P., & Tushman, M. L. (2001). Organizational environments and industry exit: The effects of uncertainty, munificence and complexity. *Industrial and Corporate Change*, 10, 675-711.
- Barnett, W., & Freeman, J. (2001). Too much of a good thing? Product proliferation and organizational failure. *Organization Science*, 12, 539-558.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17, 99-120.
- Baum, J. A., & Oliver, C. (1991). Institutional linkages and organizational mortality. *Administrative Science Quarterly*, 36, 187-218.
- Baum, J. A., & Singh, J. V. (1994). Organizational niches and the dynamics of organizational mortality. *American Journal of Sociology*, 100, 346-380.
- Boulton, J. (2010). Complexity theory and implications for policy development. *Emergence: Complexity & Organization*, 12,31-40.
- Bruederl, J., & Schuessler, R. (1990). Organizational mortality: The liabilities of newness and adolescence. *Administrative Science Quarterly*, 35, 530-547.
- Carroll, G. R., & Delacroiz, J. (1982). Organizational mortality in the newspaper industries of Argentina and Ireland: An ecological approach. *Administrative Science Quarterly*, 27, 169-198.
- Certo, S. T. (2003). Influencing initial public offering investors with prestige: Signaling with board structures. *Academy of Management Review*, 28, 432-446.

- Child, J. (1997). Strategic choice in the analysis of action, structure, organizations and environment: Retrospect and prospect. *Organization Studies*, 18, 43-76.
- Connelly, B. L., Certo, S. T., Ireland, R. D., & Reutzel, C. R. (2011). Signaling theory: A review and assessment. *Journal of Management*, 37, 39-67.
- D'Aveni, R. A. (1989). The aftermath of organizational decline: A longitudinal study of the strategic and managerial characteristics of declining firms. *Academy of Management Journal*, 32, 577-605.
- D'Aveni, R. A. & MacMillan, I. C. (1990). Crisis and the content of managerial communications: A study of the focus of attention of top managers in surviving and failing firms. *Administrative Science Quarterly*, 35, 634-657.
- Freeman, J., Carroll, G. R., & Hannan, M. T. (1983). The liability of newness: Age dependence in organizational death rates. *American Sociological Review*, 48, 692-710.
- Gulati, R., Nohria, N., & Zaheer, A. (2000). Strategic networks. *Strategic Management Journal*, 21, 203-215.
- Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9, 193-206.
- Hannan, M. T. (1998). Rethinking age dependence in organizational mortality: Logical formalizations. *American Journal of Sociology*, 104, 126-164.
- Hannan, M. T., & Freeman, J. (1977). The population ecology of organizations. *The American Journal of Sociology*, 82, 929-964.
- Hannan, M. T., & Freeman, J. (1988). The ecology of organizational mortality: American labor unions, 1836 – 1985. *American Journal of Sociology*, 94, 25-52.
- Le Mens, G., Hannan, M. T., & Polos, L. (2011). Founding conditions, learning, and organizational life chances: Age dependence revisited. *Administrative Science Quarterly*, 56, 95-126.
- Levinthal, D. A. (1991). Random walks and organizational mortality. *Administrative Science Quarterly*, 36, 397-420.
- Mellahi, K., Jackson, P., & Sparks, L. (2002). An exploratory study into failure in successful organizations: The case of Marks & Spencer. *British Journal of Management*, 13, 15-29.
- Mellahi, K., & Wilkinson, A. (2004). Organizational failure: A critique of recent research and a proposed integrative framework. *International Journal of Management Reviews*, 5, 21-41.
- Miles, R. E., & Snow, C. C. (1978). *Organizational strategy, structure, and process*. New York, NY. McGraw-Hill.
- Oliver, C. (1991). Strategic responses to institutional processes. *Academy of Management Review*, 16, 145-179.
- Penrose, E. T. (1980). *The theory of the growth of the firm*. White Plains, NY. M. E. Sharpe, Inc.
- Preisendoerfer, P., & Voss, T. (1990). Organizational mortality of small firms: The effects of entrepreneurial age and human capital. *Organization Studies*, 11, 107-129.
- Salancik, G. R. (1995). Wanted: A good network theory of organization. *Administrative Science Quarterly*, 40, 345-349.
- Singh, J. V., House, R. J., & Tucker, D. J. (1986). Organizational change and organizational mortality. *Administrative Science Quarterly*, 31, 587-611.

- Singh, J.V., Tucker, D. J., & House, R. J. (1986). Organizational legitimacy and the liability of newness. *Administrative Science Quarterly*, 31, 171-193.
- Sheppard, J. P. (1994). Strategy and bankruptcy: An exploration into organizational death. *Journal of Management*, 20, 795-833.
- Sheppard, J. P. (1995). A resource dependence approach to organizational failure. *Social Science Research*, 24, 28-62.
- Spence, M. (1973). Job market signaling. *The Quarterly Journal of Economics*, 87, 355-374.
- Swaminathan, A. (1996). Environmental conditions at founding and organizational mortality: A trial-by-fire model. *Academy of Management Journal*, 39, 1350-1377.
- Wallis, S. E. (2009). The complexity of complexity theory: An innovative analysis. *Emergence: Complexity & Organization*, 11, 26-38.
- Weitzel, W., & Jonsson, E. (1989). Decline in organizations: A literature integration and extension. *Administrative Science Quarterly*, 34, 91-109.
- Wilkinson, A., & Mellahi, K. (2005). Organizational failure: Introduction to the special issue. *Long Range Planning*, 38, 233-238.

Table 1

Theoretical Perspective	Core Premise	Extension for Organizational Mortality Research
Organizational Ecology	Environmental factors determine organizational survival through a process analogous to natural selection	Examine impact of globalization on the impact of various factors on mortality rates
Institutional Theory	The institutional environment in which organizations are embedded exerts pressures to which organizations must conform to survive	Examine differential impact of various responses to institutional pressures
Resource Dependence Theory	Organizations are dependent on limited resources and survival depends on organizations' ability to secure critical resources	Examine relationship between dependence, power, and mortality
Complexity Theory	Complex adaptive systems can unintentionally demonstrate patterned behavior not present in any of the system's individual components	Examine relationship between uncertainty that arises out of complexity and mortality
Network Theory	The networks within which organizations are embedded influence organizational behavior	Examine proximal and distal impacts of mortality on various network tie characteristics
Strategic Choice	The decisions managers make about strategy are the primary drivers of	Examine the constraining effects of strategy on mortality among strategic
Upper Echelons Theory	The interaction of situational factors and background characteristics of top managers underlie strategic choices	Examine the impact of deep-level managerial characteristics on mortality
Signaling Theory	Signals carry information concerning otherwise imperceptible organizational characteristics	Examine the impact that unintended negative signals have on organizational mortality
Resource-based View	The bundle of resources internal to the organization and they ways they are deployed determine the performance of the organization	Examine how changes of internal resources interact with other factors to impact mortality