Contents

List of Figures xi

List of Tables xv

Preface xix

Acknowledgments xxvii

Part I The Case for Corporate Demography 1

1 About Organizations 3
1.1 Aging and Learning 3
1.2 Inertia and Change 5
1.3 Competitive Intensity 7
1.4 Global Competition 9
1.5 Historical Efficiency 11
1.6 Employment and Entrepreneurship 12
1.7 A Look Ahead 14

2 The Demographic Perspective 17
2.1 Demography of Business Organizations 18
2.2 Organizing Principles of Demography 25
2.3 Formal Demography and Population Studies 26
2.4 Demographic Explanation 28
2.5 The Demography of the Work Force 31
2.6 Internal Organizational Demography 32

3 Toward a Corporate Demography **35**
3.1 Earlier Efforts 36
3.2 Retaining the Classical Structure 39
3.3 Making Demography Organizational 40
3.4 A Research Strategy 56

4 Forms and Populations **59**
4.1 Population versus Form 60
4.2 Identity and Form 67
4.3 Codes 68
4.4 Organizational Forms 73
4.5 Organizational Populations 74
4.6 Systems of Forms 76
4.7 Implications for Corporate Demography 78

Part II Methods of Corporate Demography **83**

5 Observation Plans **85**
5.1 Designs in Organizational Research 86
5.2 Trade-offs in Observation Plans 89
5.3 Impact of Observation Plans 95

6 Analyzing Vital Rates **101**
6.1 Event-History Designs 101
6.2 Stochastic-Process Models 110
6.3 Life-Table Estimation 117
6.4 Constant-Rate Models 127

7 Modeling Corporate Vital Rates **135**
7.1 Duration Dependence 135
7.2 Dependence on Covariates 139
7.3 Note on Left Truncation 149
7.4 Comparing Designs by Simulation 150
7.5 Simulation Findings 155

8 Demographic Data Sources **163**
8.1 Criteria for Evaluating Sources 164
8.2 Commonly Used Sources 167
8.3 Using Multiple Sources 185
8.4 Data Realities 188

Part III Population Processes **191**

9 Organizational Environments **193**
9.1 Telephone Companies 194
9.2 Modeling Environments 197

9.3 Environmental Imprinting 205
9.4 Imprinting in High-Tech Firms 207

10 Density-Dependent Processes I **213**
10.1 Models of Population Growth 214
10.2 Corporate Density Dependence 216
10.3 Theory of Density Dependence 222
10.4 Interpreting Density Dependence 228
10.5 Weighted Density 232
10.6 Programmatic Issues 236

11 Density-Dependent Processes II **239**
11.1 Density Delay 240
11.2 Population-Age Interactions 243
11.3 Size Interactions 251
11.4 Multilevel Processes 253

12 Segregating Processes **261**
12.1 Resource Partitioning 262
12.2 Research on Partitioning 269
12.3 Size-Localized Competition 274

Part IV Organizational Processes **279**

13 Age-Dependent Processes **281**
13.1 Models of Age Dependence 282
13.2 Age-Related Liabilities 288
13.3 Age and Growth Rates 290
13.4 Theories of Age Dependence 291
13.5 Core Assumptions 296
13.6 Liabilities of Newness and Adolescence 301
13.7 Liability of Senescence 303
13.8 Alignment, Drift, and Obsolescence 306
13.9 Liability of Obsolescence 309

14 Size Dependence **313**
14.1 Size and Growth Rates 315
14.2 Age, Size, and Mortality 319
14.3 Automobile Manufacturers 322
14.4 Extending the Formalization 331

15 Initial Mobilizing **339**
15.1 Organizing Activities 340
15.2 Theoretical Arguments 343
15.3 Automobile Preproducers 346

16 Organizational Transformation **357**
16.1 Theory and Research 358
16.2 Structural Inertia 362
16.3 Transformation and Mortality 368
16.4 Innovation in Automobile Manufacturing 374
Appendix: A Property-Based Formalization of Inertia Theory . . 377

Part V Selected Implications **381**

17 Organization Theory **383**
17.1 Equilibrium Orientation 383
17.2 Alignment and Fitness 385
17.3 Adaptation and Selection 389
17.4 Speed and Efficiency of Change 393
17.5 Historical Efficiency and Competition 397

18 Regulation **401**
18.1 Early Telephony 403
18.2 Interconnection Laws 404
18.3 The Kingsbury Commitment 406
18.4 Regulation and Deregulation in Banking 411
18.5 System Dynamics after Deregulation 414
18.6 Deregulation and Organizational Growth 418

19 Employment **423**
19.1 Effects on Careers 424
19.2 Corporate Demography and Job Shifts 425
19.3 Job Creation and Dissolution 426
19.4 Corporate Demography and Individual Mobility 429
19.5 Employment Benefits and Social Welfare 432
19.6 Effects of Careers on Corporate Demography 437

20 Organizational Diversity **439**
20.1 Beer and Wine Industries 440
20.2 Diversity, Careers, and Inequality 444
20.3 Toward a Community Ecology of Corporations 451

References **453**

Index **481**

List of Figures

2.1 Number of automobile manufacturers in the United States, 1885–1981 21
2.2 Number of automobile manufacturers in France and Germany, 1885–1981 22
2.3 Number of full-license and off-shore commercial banks in Singapore, 1840–1990 23
2.4 Number of brewing firms in the United States, 1633–1995 . . . 24
2.5 Number of disk drive manufacturers in the world and in North America, 1957–1996 24
2.6 General structure of demographic explanations 31

3.1 Distribution of durations in automobile production in the U.S. industry 46
3.2 Annual entries into the U.S. automobile industry, 1885–1980 49

4.1 Decomposition of a localized set of organizations into populations 76

6.1 Illustrative life-history data on organizations 103
6.2 Cumulative count of entries in historical time 105
6.3 Cumulative count of foundings in historical time 106
6.4 Proportion of interfounding times that exceed u 106
6.5 Proportion of organizational lifetimes that exceed u 107
6.6 Number of banks in the Tokyo prefecture, 1873–1945 120
6.7 Flow of Tokyo bank foundings over time, 1873–1926 121
6.8 Product-limit survivor function for interfounding times of Tokyo banks, 1873–1926 124
6.9 Product-limit survivor function for mortality of Tokyo banks, 1873–1945 125

6.10 Cumulative hazard of founding by duration for Tokyo banks 125
6.11 Cumulative hazard of mortality for Tokyo banks 126

7.1 Estimated piecewise-exponential model for founding rates of Tokyo banks 138
7.2 Illustration of spell splitting 142
7.3 Time paths of simulated populations 156

8.1 Entries for Evansville, Ind. in N.W. Ayer and Son's *American Newspaper Annual and Directory*, 1910 169
8.2 Entries for Evansville, Ind. in N.W. Ayer and Son's *American Newspaper Annual and Directory*, 1911 170
8.3 Entries for Evansville, Ind. in N.W. Ayer and Son's *American Newspaper Annual and Directory*, 1912 171
8.4 Illustrative entries in *The Standard Catalog of American Cars*, type 1 and type 3 entries 173
8.5 Illustrative entries in *The Standard Catalog of American Cars*, type 2 entries 174

10.1 Predicted relationship between density and the founding rate of banks in Singapore 221
10.2 Predicted relationship between density and the mortality rates of banks in Singapore 222

11.1 Estimated relationship of the entry rate with density and industry age for the French automobile industry 251

12.1 Number of U.S. brewing companies by organizational form, 1975–1995 262
12.2 Resource space available under various scenarios about competition with lower concentration 264
12.3 Resource space available under various scenarios about competition with higher concentration 265
12.4 Distribution of niches in a two-dimensional resource space . . 267
12.5 Transformation of organizational size used in modeling scale competition 272

13.1 Estimated age dependence in the mortality process for Tokyo banks 287
13.2 Schematic representation of the expanded version of the core formalization for organizations lacking immunity 301
13.3 Schematic representation of the liability of newness for organizations lacking immunity 302
13.4 Schematic representation of the liability of senescence for organizations lacking immunity 304

14.1 Predicted relationships between relative size, tenure, and mortality for European automobile manufacturers 328
14.2 Predicted relationships between absolute size, tenure, and mortality for U.S. automobile manufacturers 329
14.3 Implied pattern of age dependence in the hazard of mortality for unendowed organizations with fragile positions in drifting environments 336
14.4 Implied pattern of age dependence in mortality hazards for unendowed organizations with robust positions for $\sigma < \tau$ . . . 336
14.5 Implied pattern of age dependence in mortality hazards for unendowed organizations with robust positions for $\tau < \sigma$ . . . 337

15.1 Numbers of producers and preproducers in U.S. automobile manufacturing, 1885–1981 343
15.2 Entries of producers and preproducers into U.S. automobile manufacturing, 1885–1981 347

16.1 Two scenarios for the effect of transformation at age u_c on mortality with negative age dependence 372

17.1 Illustration of three mechanisms for alignment 390
17.2 Variations in the speed and directionality of processes generating alignment 394

18.1 Mass of banking populations in New York State, 1960–1990 . . 416
18.2 Predicted masses of financial institutions in New York State before deregulation, 1960–1980 417
18.3 Predicted masses of financial institutions in New York State after deregulation, 1981–1990 417

19.1 General structure of corporate-demographic effects on jobs . . 429

List of Tables

2.1 Counts of U.S. business organizations, 1970–1990 18
2.2 Size distribution of U.S. corporations, 1990 19
2.3 Estimates of average business size in the United States, 1960–1990 20

3.1 Starting events among automobile makers in four countries 43
3.2 Ending events among automobile makers in four countries 45

5.1 Design features of research published in the *Administrative Science Quarterly*, 1960–1995 87
5.2 Typical features of observation plans 94
5.3 Cross-sectional correlations between the coefficient of variation in tenure and turnover 96
5.4 Coefficient of variation in tenure over time for a team with demographic events 98

6.1 Narrative history of an organizational population with two forms 102
6.2 Illustrative data file for population members described in Table 6.1 and Figure 6.1 108
6.3 Estimates of constant-hazard models of mortality in the French automobile industry, 1885–1981 114
6.4 Estimates of multiple-origin, multiple-destination hazards of mortality in the French automobile industry, 1885–1981 117
6.5 Actuarial estimates of the life table for foundings of Tokyo banks, 1873–1926 122
6.6 Actuarial estimate of the life table for mortality of Tokyo banks, 1873–1945 123

7.1 Estimates of constant and piecewise-exponential models of duration dependence in the founding rates of banks in Tokyo 137
7.2 Quality of estimates of a mortality function 157
7.3 Quality of estimates of a mortality function under left truncation and size truncation 158
7.4 Quality of estimates of an organizational-structure function 161

9.1 Effects of environmental conditions on the number of telephone companies by type across states 196

10.1 Estimates of density dependence in vital rates for Singapore banks, 1840–1990 220

11.1 Hierarchical model contrasts involving the effects of density and industry age on entry rates in European automobile industries, 1886–1981 250
11.2 Estimates of the combined multilevel and population-age model for entry rates of automobile manufacturers in Belgium, Britain, France, Germany, and Italy, 1886–1981 257

13.1 Estimates of alternative specifications of age dependence in the mortality rates of banks in Tokyo 286
13.2 Notation for predicates, functions, and key parameters used in the logical formalizations in Chapters 13 and 14 297

14.1 Estimates of baseline proportional-hazard models of the effects of age and size on the rate of exit of automobile manufacturing firms 325
14.2 Estimates of nonproportional-hazard models of the effects of age and size on the rate of exit of automobile manufacturing firms 327
14.3 Implications of drift for the hazard of mortality for organizations lacking immunity with robust and fragile positions 335

15.1 Estimates of effects on the rate of entry into production in the U.S. automobile industry 351
15.2 Estimates of effects on the rate of entry into preproduction in the U.S. automobile industry 352
15.3 Estimates of effects on moving from preproduction into production in the U.S. automobile industry based on piecewise-exponential and log-logistic specifications 354

16.1 Overview of studies of effects of organizational change on mortality 369
16.2 Effects of innovation on the hazard of mortality for U.S. automobile producers 377

17.1 Experimental settings and outcomes of simulation experiments on historical efficiency 399

18.1 Estimates of organizational interdependence by interconnection law status 405
18.2 Estimates of organizational interdependence before, during, and after the Kingsbury agreement 409
18.3 Estimates of growth models of New York credit unions by regulatory period, 1914–1990 420

19.1 Estimates of jobs created and eliminated by corporate demography 428