

Study of Organization without Strategy: Structural Rationality

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[E]conomists see rationality in terms of the choices that people make. Other social scientists view rationality in terms of the processes. I call the rationality of economics substantive rationality and the rationality of psychology procedural rationality.

Simon, 1986, p. 2

Abstract

Deliberate human action receives the first priority in researchers' attempts to understand social phenomena. Organization theory and strategy literature are no exceptions. Strategy as a purposive plan of action or path towards intended ends has been studied in the context of agents' cognition and rationality, subject to conditions in the implementation environment and interactions with its structures. Turning the focus from construction of strategy towards organization structures allows for the possibility that (1) aggregate-level outcomes with specific properties may emerge from structures through complex micro-level interactions among even non-strategic agents, and (2) these properties may exhibit some robustness to variations in individual behaviour. Extending on the counterintuitively efficient performance of 'zero intelligence' agents in certain markets, we explore the implications of supplementing the well-established framework of substantive and procedural rationality with *structural* rationality. In its minimalist spirit, structural rationality uses neither intent nor deliberate formation of strategy to arrive at the outcomes, and thus allows for differentiation among organizational outcomes arising from strategies and from structures.

Keywords: Organizational strategy, complexity, structural rationality, zero intelligence.

JEL Codes: L10, L22, L29

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