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## **Organizational Decline Research Review: Challenges and Issues for a Future Research Agenda**

**Fernando Antônio Ribeiro Serra<sup>1</sup>**  
**Rosiele Pinto<sup>2</sup>**  
**Luiz Guerrazzi<sup>1</sup>**  
**Manuel Portugal Ferreira<sup>1,3</sup>**

Universidade Nove de Julho<sup>1</sup>  
Universidade Federal da Paraíba<sup>2</sup>  
Instituto Politécnico de Leiria<sup>3</sup>

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## Abstract

Organizational decline is related to the deterioration of the resource base and performance of an organization for a sustained period of time. Although some studies have been conducted, it remains an understudied phenomenon, despite its importance. The study of organizational decline is faced with challenges to improving and increasing research. In this study, we analyze the scientific field of organizational decline in business and management journals with a high impact factor. We conducted a mixed-method study: a bibliometric study of a sample of 214 articles, and a qualitative study with 41 authors. We used an analysis of citations, co-citations and factor analysis. This enabled the identification of the most influential works and their conceptual approaches. The interviews with the authors were analyzed using content analysis, which complemented our understanding of the challenges and problems facing the theme. The results show that organizational decline can be organized into three different aspects: organizational decline itself; studies on turnaround; and mortality. Specific challenges to overcome are related to a better definition, cognitive issues and other issues on decision-making and specific methodological problems. In addition, it is necessary to evaluate whether theories that explain growth are also able to explain decline.

**Key words:** organizational decline; turnaround; mortality; bibliometric study; mixed method.

## Introduction

When Whetten (1980) wrote his seminal article on organizational decline, he pointed out the need to study this theme and its importance, considering the study of decline and the path to increasing the longevity of companies. At that time, in the late 1970s and 1980s, American companies were facing strong competition from Japanese industries and these companies' performance was affected. Considering the importance given by authors in books for a professional audience (*e.g.*, Collins, 2009; Damodaran, 2011; Hamel, 2012; Pfeffer & Sutton, 2006) and the impact of decline on mature and apparently successful companies (Torres, Serra, Ferreira, & Menezes, 2011), this theme merits further investigation. Given the evidence that even successful companies can go into decline, which is nothing new, we assume that the study of a variety of issues pertaining to organizational decline would attract the attention of researchers. These issues include understanding why companies go into decline, how this decline could have been avoided, the role of organizational inertia in the face of external transformations, losses in terms of performance, how the erosion of specific resources and the capacity of companies occurs, which decision making processes lead companies into decline, why company resources lose their value and many others.

We hope that decline can become a central theme in courses such as strategic management, but despite the efforts of some authors since the 1990s to conduct further studies on decline and related matters, we are still far from understanding and explaining why companies, even renowned and apparently successful ones, go into decline (Cameron, Kim, & Whetten, 1987; Serra, Ferreira, & Almeida, 2013).

The purpose of this work is to help to enable and improve future research of such an important phenomenon by identifying the challenges facing researchers and to propose specific studies to overcome these challenges. To explain the existing research on decline better and to present the challenges and issues to overcome to enable future research on the subject, we conducted a mixed method study, consisting of a bibliometric study (Study I) and a qualitative study (Study II). Bibliometric analyses are helpful by shedding light on different aspects (Boyack, Klavans, & Borner, 2005; Gorraiz & Gumpenberger, 2015).

The bibliometric research in Study I involved articles published in journals available on Thomson-Reuter's Web of Science (ISI) with a JCR impact factor higher than 2.0. From a sample of 214 articles that were collected, we examined citations, co-citations and emphasis on research over time. We used citation frequency, co-citation networks and factor analysis techniques to determine the sub-fields in organizational decline. In Study II, using the authors in the sample for Study I, we identified relevant authors who study decline and conducted research by e-mail, for which 41 of the authors provided responses. The analyses conducted in Study II were qualitative and we associated the statements of the researchers on the theme of organizational decline in relation to our findings in Study I in order to establish a future research agenda and orientation for overcoming the challenges of decline research.

## Methods

### Study I – bibliometric study

This study is based exclusively on articles on organizational decline published in top business journals until 2014. To collect the sample, we selected 20 journals with a JCR impact factor higher than 2.0 (Appendix A).

Having defined the journals and considering the time available in the database, we conducted a search using key words in the **topic** option for articles. The following words were used: decline (organizational decline and performance decline), decay (strategy decay, performance decay and

organizational decay), bankruptcy, failure (business failure and organizational failure), turnaround, retrenchment, longevity, lifecycle and mortality. The software identified all the articles with these words either in the title, abstract or key words of the journals that were consulted.

Using the data collection procedure, 1580 articles were identified initially. These articles were filtered and the final sample was composed of 214 articles. The articles were filtered because a wide range of key words was used to obtain a diversity of articles not directly related to decline. Thus, all the titles and abstracts (and later the content) of the articles were evaluated to reduce the number and arrive at the final sample. The distribution of the sample in the selected journals is shown in Table 1.

Aiming to reduce the bibliographic references used in the sample and to obtain clusters with similar conceptual approaches on organizational decline, we used a multivariate statistical technique following Acedo, Barroso and Galan (2006). For bibliometric proceedings we ran Bibexcel software ([www.umu.se/inforsk/Bibexcel](http://www.umu.se/inforsk/Bibexcel)), which allowed us to produce quantitative information about the research sample. By using this software, we created the citation frequency table (Table 2) and generated the co-citation matrix, necessary for creating the co-citation network (Figure 1). This analysis was complemented by factor analysis and multidimensional scaling (MDS) using SPSS. First, we analyzed the citations, which aided identification of the main researchers and works that contributed to the intellectual development of the theme and how they signal the themes and theories related to organizational decline. The citation analysis involved all the references of the 214 articles in the sample, and we analyzed the 54 most-cited articles (see Table 2).

We conducted the factor analysis with varimax rotation (see Acedo, Barroso, & Galan 2006; Lin & Cheng, 2010), as the results are easier to interpret (Fabrigar, Wegener, MacCallun, & Strahan, 1999). Articles with conceptual or thematic proximity have higher loadings on the same factor. Factor loading with values greater than 0.4 form the theme (Lin & Cheng, 2010; Shafique, 2013).

## **Study II: research with specialists**

All of their articles were published in top journals in terms of the impact factor and their works corresponded to 27.4% of the articles in the sample.

This study is qualitative and based on the experience of selected researchers through their contributions to existing research. Self-report measures, such as direct questions to experts or questions on performance, have been increasingly accepted in organizational research (*e.g.*, Daneels, 2016). Using the co-citation matrix of the previous study as a starting point, the MDS (Appendix B) was presented to the authors, briefly introducing the research. They were asked the following open questions: (a) What motivated you to study decline? (b) Do you continue to study decline? (c) Did you consider decline an interesting subject in this hectic environment? (d) What else would be interesting to study? The latter question in particular was intended to understand what other aspects would be interesting to continue studying organizational decline. With the feedback from these questions, even though they were partially open, we classified the responses and analyzed the content to understand the challenges and problems in a particularly difficult research theme that addresses the unpleasant past of organizations. The analytical framework is the one recommended by Gioia (Reay, 2014), in which first-order groups of information, extracted directly from the interviews, are clustered into second-order themes and added third-order dimensions to enable a better understanding of the emerging arguments (Gioia, Corley, & Hamilton, 2012).

To become familiar with the experience of the specialists in the study of decline, it is especially interesting to understand their ideas for future studies on the subject to complement previous studies that were focused mainly on content, while research on decline faces challenges and specific questions regarding the phenomenon.

## Results

### Study I: bibliometric study

#### *Citation analysis*

Table 1 shows the most cited works for the whole period under analysis. Considering only the 10 most-cited out of the 214 works, only Hambrick and D'Aveni (1988) and Bibeault (1982) are directly related to organizational decline. Hambrick and D'Aveni (1988) developed a longitudinal view of the bankruptcy of companies during the years prior to bankruptcy being declared from some characteristics such as lack of domain initiative, environmental carrying capacity, scarce resources and performance. The work of Bibeault (1982) is a book about the turnaround process, emphasizing organizational and human situations and indications of involved strategic actions. The book seeks to explain why bankruptcies occur, the characteristics of success and lack thereof and leadership during turnaround. It also addresses new strategies that are required in the post-turnaround phase.

The most cited works contain different themes. Some address the antecedents of decline and the turnaround process (*e.g.*, Argenti, 1976; Cameron, Kim, & Whetten, 1987; Hambrick & D'Aveni, 1988), while others deal with theoretical approaches that would influence work on decline such as resource dependence theory (Pfeffer & Salancik, 1978), threat rigidity effects in organizational behavior (Staw, Sandelands, & Dutton, 1981), organizational ecology (Hannan & Freeman, 1984, 1989), contingency theory (Thompson, 1967), behavioral theory of the firm (Cyert & March, 1963), industrial economics (Porter, 1980) and risk taking in decision making (Singh, 1986). Therefore, the theoretical approaches that bolster studies on decline are related to the influence of the environment and context on decision making in companies and organizational mortality. The 54 most-cited works appear to follow the pattern of the 214 most-cited works: articles dedicated specifically to organizational decline and turnaround and theoretical approaches that explain organizational decline.

Table 1

#### Frequency of Citation of the Works

No.	Citations No.	Documents cited	% of citations in 214 documents
1	37	Hambrick and D'Aveni (1988)	17.8
2	34	Pfeffer and Salancik (1978)	16.3
3	33	Staw, Sandelands and Dutton (1981)	15.9
4	31	Hannan and Freeman (1989)	14.9
5	30	Hannan and Freeman (1984)	14.4
6	27	Thompson (1967)	13.0
7	27	Cyert and March (1963)	13.0
8	26	Porter (1980)	12.5
9	26	Bibeault (1982)	12.5
10	22	Singh (1986)	10.6
11	22	Nelson and Winter (1982)	10.6
12	22	Hannan and Freeman (1977)	10.6
13	22	D'Aveni (1989a)	10.6

Continues

**Table 1 (continued)**

<b>No.</b>	<b>Citations No.</b>	<b>Documents cited</b>	<b>% of citations in 214 documents</b>
14	22	Schendel, Patton and Riggs (1976)	10.6
15	21	Hambrick and Schechter (1983)	10.1
16	20	Stinchcombe (1965)	9.6
17	20	Hofer (1980)	9.6
18	19	Cameron, Kim and Whetten (1987)	9.1
19	18	Tushman and Romanelli (1985)	8.7
20	18	Sutton and Callahan (1987)	8.7
21	17	Robbins and Pearce (1992)	8.2
22	17	Cameron, Whetten and Kim (1987)	8.2
23	16	Argenti (1976)	7.7
24	16	Hambrick and D'Aveni (1992)	7.7
25	16	Whetten (1980)	7.7
26	15	Aldrich (1979)	7.2
27	15	Tuma and Hannan (1984)	7.2
28	15	Kahneman and Tversky (1979)	7.2
29	15	Pearce and Robbins (1993)	7.2
30	15	Child (1972)	7.2
31	14	March (1991)	6.7
32	14	Tushman and Anderson (1986)	6.7
33	14	Hambrick and Mason (1984)	6.7
34	13	Aldrich and Auster (1986)	6.3
35	13	Jensen and Meckling (1976)	6.3
36	13	Barker and Duhaime (1997)	6.3
37	13	Hannan and Carroll (1992)	6.3
38	13	D'Aveni and Macmillan (1990)	6.3
39	13	Zammuto and Cameron (1985)	6.3
40	13	Altman (1983)	6.3
41	13	Starbuck, Greve and Hedberg (1978)	6.3
42	13	Freeman, Carroll and Hannan (1983)	6.3
43	13	Whetten (1987)	6.3
44	12	Mckinley (1993)	5.8
45	12	Hedberg, Nystrom and Starbuck (1976)	5.8
46	12	Harrigan (1980)	5.8
47	12	Levitt and March (1988)	5.8
48	12	D'Aveni (1989b)	5.8
49	12	Weitzel and Johnson (1989)	5.8

**Continues**

Table 1 (continued)

No.	Citations No.	Documents cited	% of citations in 214 documents
50	12	Whetten (1981)	5.8
51	12	Haveman (1992)	5.8
52	12	Smart and Vertinsky (1977)	5.8
53	12	Nystrom and Starbuck (1984)	5.8
54	12	Gilson (1989)	5.8

### Co-citation analysis

Factor analysis can be used to determine sub-fields or themes (Lin & Cheng, 2010). The factor loading (Table 2) is an indicator of the degree to which an article belongs to the factor and the factor is the sub-field or theme (Nerur, Rasheed, & Natarajan, 2008). In this study, factor analysis for the entire period was conducted using the 54 most-cited works. We identified three factors with an explained variance of 64.77%.

Table 2

### Summary of Factor Analysis

Entire period	Factor 1 <b>Organizational Decline</b>	Factor 2 <b>Mortality</b>	Factor 3 <b>Actions in decline and turnaround situations</b>
	Altman (1983) - 0.62; Argenti (1976) - 0.84; Cameron, Whetten and Kim (1987) - 0.80; Cameron, Kim and Whetten (1987) - 0.66; Child (1972) - 0.69; Cyert and March (1963) - 0.60; D'Aveni (1989a) - 0.71; D'Aveni (1989b) - 0.84; D'Aveni and Macmillan (1990) - 0.64; Gilson (1989) - 0.49; Hambrick and D'Aveni (1988) - 0.61; Hambrick and D'Aveni (1992) - 0.48; Hambrick and Mason (1984) - 0.60; Jensen and Meckling (1976) - 0.65; Kahneman and Tversky (1979) - 0.61; Mckinley (1993) - 0.70; Pfeffer and Salancik (1978) - 0.64; Singh (1986) - 0.77; Smart and Vertinsky (1977) - 0.83; Starbuck <i>et al.</i> (1978) - 0.74; Staw <i>et al.</i> (1981) - 0.67; Sutton and Callahan (1987) - 0.75; Thompson (1967) - 0.66; Weitzel and Johnson (1989) - 0.76; Whetten (1980) - 0.77; Whetten (1981) - 0.79; Whetten (1987) - 0.65; Zammuto and Cameron (1985) - 0.75	Aldrich and Auster (1986) - 0.87; Aldrich (1979) - 0.61; Freeman <i>et al.</i> (1983) - 0.86; Hannan and Carroll (1992) - 0.87; Hannan and Freeman (1977) - 0.69; Hannan and Freeman (1984) - 0.71; Hannan and Freeman (1989) - 0.71; Haveman (1992) - 0.86; Levitt and March (1988) - 0.84; March (1991) - 0.82; Nelson and Winter (1982) - 0.84; Stinchcombe (1965) - 0.84; Tuma and Hannan (1984) - 0.82; Tushman and Anderson (1986) - 0.89; Tushman and Romanelli (1985) - 0.50.	Barker and Duhaime (1997) - 0.83; Bibeault (1982) - 0.76; Hambrick and Schechter (1983) - 0.77; Harrigan (1980) - 0.56; Hofer (1980) 0.81; Nystrom and Starbuck (1984) - 0.61; Pearce and Robbins (1993) - 0.82; Porter (1980) - 0.76; Robbins and Pearce (1992) - 0.80; Schendel <i>et al.</i> (1976) - 0.79.

Note. 1 - The values are the loadings for each factor. 2 - The extracted factors explain 64.8% of the variance.

Factor 1 is composed of the largest number of works, with 28 articles explaining decline from seminal works, analyzing the process of decline itself and the characteristics of the companies that went into decline in comparison with healthy companies. This factor also includes works that analyze decline from studies concerning decision making. The second factor is made up of 15 articles regarding the mortality approach, such as organizational ecology, social structure and organizational learning. Factor

three is composed of 11 articles related to turnaround. In these articles, the authors seek to explain actions and events associated with companies' turnaround processes.

Table 3

### Summary of Factor Analysis per Period

Before 1990	Factor 1 <b>Seminal Articles of organizational decline</b>	Aldrich (1979) - 0.62; Bozeman and Slusher (1979) - 0.80; Kimberly and Miles (1980) - 0.77; Levine (1978); Levine (1979) - 0.81; Smart and Vertinski (1977) - 0.59; Starbuck <i>et al.</i> (1978) - 0.78; Staw <i>et al.</i> (1981) - 0.59; Thompson (1967) - 0.52; Whetten (1980) - 0.56; Whetten (1981) - 0.71; Cameron and Zammuto (1983) - 0.81.
	Factor 2 <b>Signs of decline and mortality</b>	Altman (1983) - 0.67; Argenti (1976) - 0.73; Hall and Mansfield (1971) - 0.62; Hambrick and Schechter (1983) - 0.76; Hannan and Freeman (1977) - 0.77; Harrigan (1980) - 0.71; Pfeffer and Salancick (1978) - 0.55; Schendel <i>et al.</i> (1976) - 0.56; Staw (1976) - 0.53; Zammuto and Cameron (1985) - 0.66.
	Factor 3 <b>Actions in decline and turnaround situations</b>	Bibeault (1982) - 0.56; Hambrick and Mason (1984) - 0.56; Hofer (1980) 0.78; Katz and Kahn (1966) - 0.56; Porter (1980) - 0.73.
1991-2002	Factor 1 <b>Top Management Teams (TMT) in organizational decline</b>	Altman (1983) - 0.54; Boeker (1992) - 0.82; Cameron, Kim and Whetten (1987) - 0.68; D'Aveni (1989a) - 0.61; D'Aveni (1989b) - 0.71; D'Aveni and Macmilan (1990) - 0.82; Gilson (1989) - 0.82; Hambrick and Mason (1984) - 0.55; Hambrick and D'Aveni (1988) - 0.59; Hambrick and D'Aveni (1992) - 0.80; Moulton and Thomas (1993) - 0.84; Pfeffer and Salancick (1978) - 0.62; Singh (1986) - 0.76; Staw <i>et al.</i> (1981) - 0.57; Sutton and Callahan (1987) - 0.71.
	Factor 2 <b>Actions in decline and turnaround situations</b>	Bibeault (1982) - 0.57; Cameron, Kim and Whetten (1987) - 0.75; Cameron, Whetten and Kim (1987) - 0.66; Hambrick and Schechter (1983) - 0.71; Hedberg <i>et al.</i> (1976) - 0.81; Hofer (1980) - 0.71; Nystrom and Starbuck (1984) - 0.72; Sutton and D'Aunno (1989) - 0.64; Tushman and Anderson (1986) - 0.57; Whetten (1980) - 0.65; Whetten (1987) - 0.61.
	Factor 3 <b>Mortality</b>	Amburgey, Kelly and Barnett (1993) - 0.78; Cyert and March (1963) - 0.67; Hannan and Freeman (1989) - 0.68; Hannan and Carroll (1992) - 0.63; Hannan and Freeman (1977) - 0.56; Hannan and Freeman (1984) - 0.63; Levitt and March (1988) - 0.79; Miner (1990) - 0.78; Nelson and Winter (1982) - 0.75; Thompson (1967) - 0.55; Tuma and Hannan (1984) - 0.79; Tushman and Anderson (1986) - 0.85.
2003-2014	Factor 1 <b>Actions in decline and turnaround situations</b>	Barker and Mone (1994) - 0.81; Bibeault (1982) - 0.86; Cameron, Kim and Whetten (1987) - 0.68; Hambrick and Schechter (1983) - 0.83; Hitt, Hoskisson, Johnson and Moesel (1996) - 0.83; Hoskisson, Johnson and Moesel (1994) - 0.70; Morrow, Johnson and Busenitz (2004) - 0.86; Pearce and Robbins (1993) - 0.80; Robbins and Pearce (1992) - 0.83; Schendel <i>et al.</i> (1976) - 0.79.
	Factor 2 <b>Decline processes</b>	Mone, McKinley and Barker (1998) - 0.71; D'Aveni (1989b) - 0.81; Hambrick and D'Aveni (1988) - 0.53; Hambrick and D'Aveni (1992) - 0.74; Jensen and Meckling (1976) - 0.67; Mckinley (1993) - 0.72; Mellahi and Wilkinson (2004) - 0.73; Meyer (1982) - 0.73; Singh (1986) - 0.66; Staw <i>et al.</i> (1981) - 0.75; Weick (1995) - 0.59; Wiseman and Bromiley (1996) - 0.82.
	Factor 3 <b>Mortality</b>	Hannan and Freeman (1989) - 0.60; March (1991) - 0.70; Nelson and Winter (1982) - 0.63; Pfeffer and Salancick (1978) - 0.42; Swaminathan (1996) - 0.73; Thompson (1967) - 0.45.



We also conducted a factor analysis for partial periods (Table 3) in which we identified three factors for each period. The first period was for articles published before 1990. The first factor for this period was **seminal articles of organizational decline** and was composed of articles arguing that organizational decline is the subject of little research and that the explanations for the origins, responses to and effects of decline are neglected topics in the literature. According to Cameron, Kim and Whetten (1987), the works published during this period show three theoretical foundations for organizational decline: the literature on organizational environment highlights the importance of organizations having control over critical environmental resources, represented by the works of Aldrich (1979); the literature on crisis management addresses the impact of environmental discontinuities in organizations, in the works of Starbuck *et al.* (1978) and Smart and Vertinsky (1977); and the literature on the management of uncertainty, in the works of Thompson (1967). Other works regarding this factor were Whetten (1980) on organizational life-cycles, articles on retrenchment (Whetten, 1981), the definition of a typology of decline (Zammuto & Cameron, 1985) and the difference between decline and stagnation (Bozeman & Slusher, 1979).

The second factor was **signs of decline and mortality**, including articles that look at early signs or indicators of decline, such as Altman and Hotchkiss (1983) and Argenti (1976). Works on organizational ecology are represented by Hannan and Freeman (1977), showing the influence of density in the founding and mortality of organizations. The influence of the environment on organizational actions and structure is represented by several articles: Pfeffer and Salancick (1978), used resource dependency theory; Zammuto and Cameron (1985) studied the impact of environmental changes on decline and the consequences on organizational structure; Schendel *et al.* (1976) argued that turnaround is more influenced by managerial than environmental actions; Hambrick and Schechter (1983) and Hall and Mansfield (1971) pointed out strategic actions for turnaround, and Harrigan (1980) for declining industries.

Factor 3 was **actions in decline and turnaround situations**, including works by Bibeault (1982), and seminal works on TMT (Hambrick & Mason, 1984). This factor is also composed of prescriptive works such as contingency theory for turnaround (Hofer, 1980), hierarchy of change and structural growth (Katz & Kahn, 1966) and a chapter on competitive strategy in declining industries from Michael Porter's book (Porter, 1980).

The first factor of the second period, covering 1991 to 2002, was **TMT in organizational decline**, made up of studies on the TMT in decline situations (Altman & Hotchkiss, 1983; Gilson, 1989) and especially in the case of bankruptcy, such as studies on TMT as a scapegoat (Boeker, 1992; Cameron, Kim, & Whetten, 1987), the deterioration of the TMT (Hambrick & D'Aveni, 1992; Moulton & Thomas, 1993), and the stigma of TMT (Sutton & Callahan, 1987). This factor also included studies on decision making in situations of risk (Singh, 1986), threat-rigidity effects (Staw *et al.*, 1981) and the aforementioned resource dependence theory (Pfeffer & Salancick, 1978).

For the second factor, the denomination **actions in decline and turnaround situations** was maintained, as in the first period. Some of the works in this factor have already been discussed: Bibeault (1982), Hofer (1980) and Hambrick and Schechter (1983) on turnaround; the works of Sutton and D'Aunno (1989), Cameron, Kim and Whetten (1987), Cameron, Whetten and Kim (1987) and Whetten (1980) are seminal articles, and the work of Whetten (1987) presents the characteristics of firms in decline that influence some strategic actions. Nystrom and Starbuck (1984) and Tushman and Anderson (1986) showed the influence of environment changes on company actions.

We called the third factor in this period **mortality**. It is made up of articles that show the theoretical approaches used to analyze organizational decline through different perspectives: organizational ecology (Amburgey, Kelly, & Barnett, 1993; Hannan & Carroll, 1992; Hannan & Freeman, 1977, 1984; Miner 1990; Tuma & Hannan, 1984; Tushman & Anderson, 1986), evolutionary theory (Nelson & Winter, 1982), contingency theory (Thompson, 1967) and organizational learning (Cyert & March, 1963; Levitt & March, 1988).

For the third period, from 2003 to 2014, the first factor was called **actions and decline in turnaround situations**, but the difference between this factor and its equivalents for the other periods is that it focuses more specifically on turnaround strategies and actions, and also on situations of divestment. The works on turnaround are included (Bibeault, 1982; Hambrick & Schecter, 1983; Robbins & Pearce, 1992; Schendel, Patton, & Riggs, 1976) as well as an important article by Pearce and Robbins (1993), which introduced the two-stage model for turnaround that has often been used and cited. Retrenchment is a specific turnaround action. An important contribution to this topic was the works of Hoskisson *et al.* (1994) and Hitt *et al.* (1996), focusing on divestment strategies.

The second factor, **decline process** includes the works that address the characteristics inherent to decline (D'Aveni 1989b; Hambrick & D'Aveni, 1988) and adaptation, decision making and TMT (Hambrick & D'Aveni, 1992; Meyer, 1982; Singh, 1986; Staw *et al.*, 1981). The third factor is also called **mortality**. This factor also includes articles that indicate the theoretical as organizational ecology, evolutionary theory, contingency theory, organizational learning, and resource dependence theory.

The results for the whole period (Table 2) show that the base of studies on organizational decline indicates that research has taken three directions: mortality, aspects directly related to organizational decline itself, and actions and decisions taken in situations of decline and turnaround. However, by observing the evolution of the themes throughout the periods in question (Table 3), one can see a difference that appears to indicate the need to continue seeking to understand decision-making and strategic actions in situations of organizational decline and turnaround, but especially a growing interest in understanding the process of decline.

This first part of the study helped to understand the theoretical approaches and themes related to the study of organizational decline. Nevertheless, due to the complexity and importance of the phenomenon, as it is a negative theme linked to a process rather than a specific moment in time, there are methodological challenges. The mere indication of the evolution of the themes that might already pave the way to future research does not appear to be sufficient. To indicate the paths for future research, the study was complemented by access to the authors, to not only confirm the paths but also attempt to understand the challenges involved in continuing research on this topic.

## **Study II: research with specialists**

To understand the academic view on the challenges and research questions of organizational decline, we surveyed the main authors who have published articles on decline. Figure 1 presents the data structure of the work that was used to conduct our analysis.

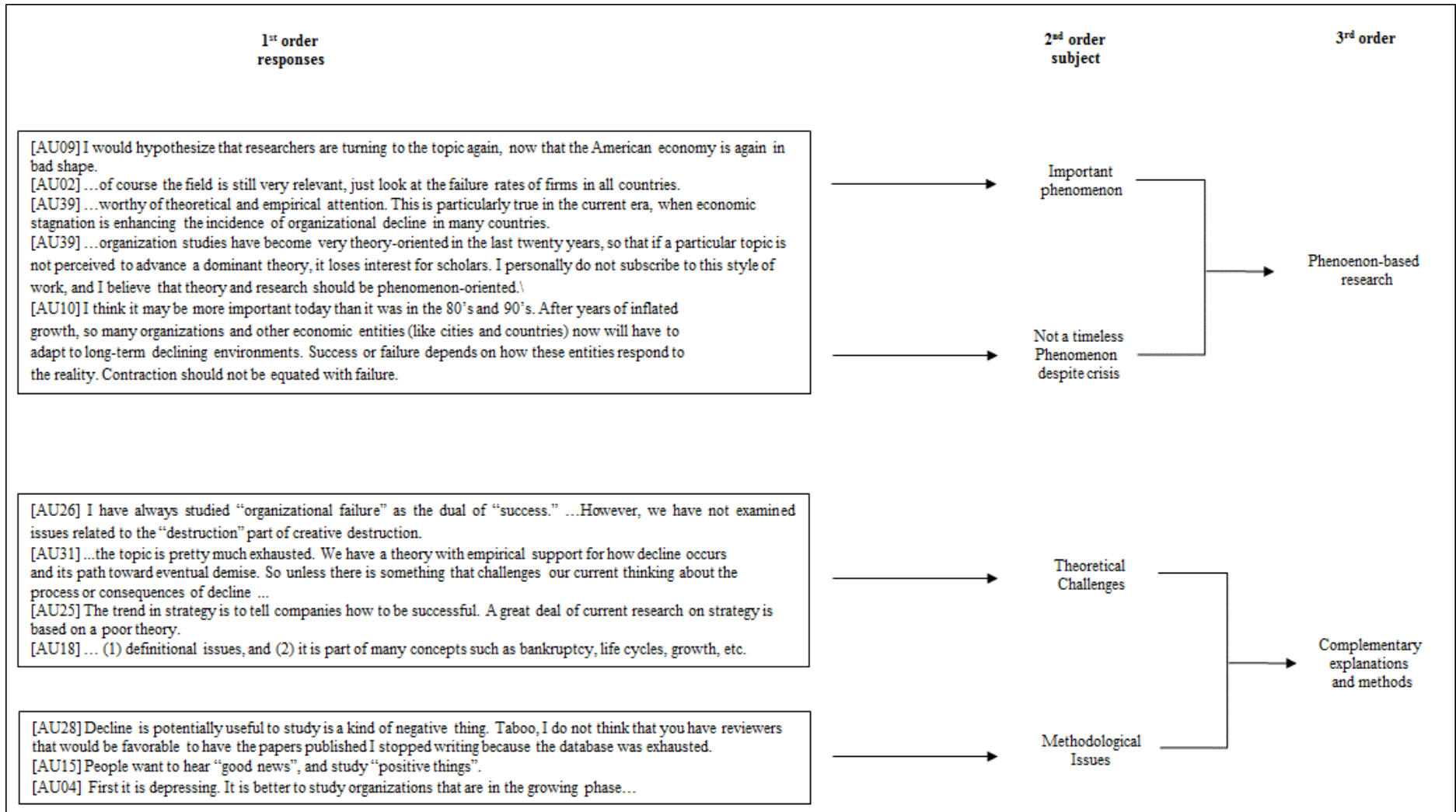


Figure 1. Data Structure

After ordering the results, the authors are seen to converge in two dimensions: that the study of decline fits the profile of phenomenon-based research, and that it needs complementary explanations and methods, considering studies on growth. These dimensions are presented in detail together with examples of citations of authors (Tables 4, 5 and 6).

### ***Decline as a phenomenon-based research***

Most of the authors claim it is necessary to conduct further study on decline because it is an important research phenomenon (Table 4). Considering the adequacy of the organizational decline studies, the researchers that were interviewed had different viewpoints, although they did have some ideas in common. They highlighted the bias towards studies of success and growth, with subjects that are considered unattractive or as having a negative connotation being avoided. They also mentioned criteria for publication having an influence on what researchers choose to study.

Table 4

#### **Evidence of the Relevance, Causes and Consequences of Organizational Decline**

<b>Statements [authors]</b>	<b>Importance</b>	<b>Causes</b>
I suppose that researchers are returning to the theme again now that the American economy is in crisis [AU08]	Opportune	Economic problems in the USA.
I still believe that decline is an important phenomenon. It deserves theoretical and empirical attention, especially at this time, when economic stagnation is increasing the rate of decline in many countries [AU39]	Need to focus more theoretical and empirical attention Opportune	Economic problems in many countries Increase in organizational decline
of course the field is highly relevant. All you have to do is look at company bankruptcy rates in all countries. [AU01]	Always important	Number of bankrupt companies
I think it could be more important today than in the 80s or 90s. After years of inflated growth, companies and other economic agents (such as cities and countries) will have to adapt in declining environments, success or failure depends on how these agents respond to reality. Contraction should not be a synonym of failure. [AU10]	Important Long-term and generic effect	Economic problems Need to adapt
Focusing on decline appears to be popular during periods of economic decline. The theme is practically exhausted. We have an empirically supported theory that of how decline occurs and its path to bankruptcy. So, unless there is something that challenges our current thinking on the process or the consequences of decline, I see no resurgence in this field of research in the near future [AU31]	Considered exhausted in current thought	Economic problems

**Note.** Source: research data.

The authors also pointed out that research on decline is of little interest to agencies that provide financing and that it is difficult to achieve recognition or gain access to reliable data on the matter. This is what we observed in the statements shown in Table 5.

Table 5

**Is Organizational Decline Adequately Researched?**

Statements [ <i>authors</i> ]	Motives for lack of studies
Decline has not been adequately examined by organizational scientists because they are concerned with organizational growth and its consequences. The emphasis on growth reflects the dominant ideology in our society. [AU08]	Predominant focus on growth
The trend in strategy is to tell companies how to be successful. A great deal of current research on strategy is based on a poor theory. [AU25]	Focus on successful companies. Poor theory in current research
Decline is a negative kind of thing. I don't think you would have reviewers in favor of accepting articles about it. I stopped writing because the database was exhausted. It was time to study another database on decline but it would cost too much to get it. [AU28] Negative nature [AU03] [AU15] [AU19]	Negative theme Difficult and costly to obtain data
I left this field because I needed external financing for research and I would not get it researching this subject. [AU01]	Difficult to obtain financing for research
Researchers stopped studying decline when the American economy started growing again in the mid-1980s. it continued to grow from that time until the crisis of 2008 [AU35]	Economic recovery
Perhaps it has not been given more attention due to issues over its definition and that it is part of a number of concepts such as bankruptcy, life-cycle, growth, etc. [AU18]	Difficult to define Other related themes
Actually, on the contrary, I am still working in the field. We have an article reviewing the theme. We think it is difficult to continue researching decline because it is fragmented and much of it is atheoretical. [AU07]	Fragmented and largely atheoretical

**Note.** Source: research data.

From the authors' responses, we argue that organizational decline must be viewed as an important phenomenon, that despite the visibility during certain periods, is not timeless and still important during prosperous periods.

***The need for complementary explanation and methods***

It should be viewed as phenomenon to be explained through different theoretical lens, and possibly not the opposite of success. It poses theoretical, as well as methodological challenges to enable complementary explanations and the use of non-traditional methods for success explanation.

According to the researchers, future studies posed a lot of challenges (Table 6).

Table 6

**Aspects to Consider in Future Researches**

Statements [ <i>authors</i> ]	Subject
Matched-pairs research, for example, size, market and founding, between successful and declined companies [AU25] Access to data [AU15] [AU28]	Distinct methods Data base
“how to prevent” and “how to overcome” decline [AU28]	Decline prevention and turnaround
“challenge current thinking”, as “declining performance cannot be explained by our current performance models” [AU31]	Need for different explanations of success
Antecedents of decline [AU20] [AU32] “Which factors facilitate or hinder the ‘abandonment’ of products/technologies that become obsolete due to new products and innovations?” [AU26]	Causes and signs
"What I found interesting in the article by Hambrick and D’Aveni (1988) were the discoveries that there is a difference between the finances of firms that went bankrupt and those that survived, and that this difference could be observed ten years before the bankruptcy, leading me to think that there must be denial in companies facing bankruptcy” [AU32] “it is necessary to study how technology, social networks and organizational fields of companies from cognition, access to knowledge and decision making in companies” [AU01]	Cognitive sources (Denial and Threat-Rigidity) Technology and social networks Decision-making
clear definition and typology of decline [AU32] [AU39] largely atheoretical [AU07]	Decline concept Decline as a Phenomenon
And when a company is heading for bankruptcy, what happens to the resources that were once grouped within the company? [AU26]	After-decline
“the effect of globalization, regional importance and differences as suggestions for study, for instance a “contextualized Latin scenario” [AU12] When a company runs the risk of failure, is it better to abandon resources or continue its efforts for strategic renewal? What contingency factors impact this relationship? [AU26]	Context and Institutional Forces

**Note.** Source: research data.

**General Discussion**

We conducted two studies to understand the challenges and issues related to organizational decline. In Study I, we sought to examine existing research on organizational decline and a sample of 214 articles that specifically address the theme. The longitudinal analysis by period afforded us a view of the evolution concerning decline. Considering this evolution over the years, the study of decline has been conducted in three different aspects: organizational decline itself; studies on turnaround; and mortality. Recent studies have focused on actions during decline and turnaround, and the influence of decision makers in these situations.

As disciplines mature and theories become more established, research tends to be more theory-driven, converging with dominant theoretical approaches instead of an orientation towards the phenomenon. As mentioned by Hambrick (2007), this strong focus on theory prevents studies of

important and interesting phenomena that could leverage new theoretical approaches. Decline appears to be much more of a phenomenon to be studied than a field with a specific theory. Doh (2015) argues that the main focus of phenomenon-based research is to “accurately and insightfully inform a real-world phenomenon” (p. 609). The nature of the phenomenon of organizational decline, due to the context, enables different insights in comparison with the predominant studies on growth.

In addition to identifying the most influential works and their conceptual approaches, we also selected the authors for the second study. We investigated what motivates researchers to study decline, the impact of this theme on their current studies and their opinions regarding the future research. For them, to understand decline, its causes and antecedents are important to managerial practice, as decline does not depend on how large or successful a company was in the past. Among the future research suggested by the authors, they highlight a need for a clear definition of decline, establishing typologies. To these specialists, the current financial and economic crisis and the high rates of bankruptcy of companies present an opportunity.

In Figure 2, we presented a schematic vision of the challenges to be overcome and some aspects that help to form the backbone of a future research agenda. This contributes by helping researchers and students to overcome the challenges and issues to improve their research in organizational decline.

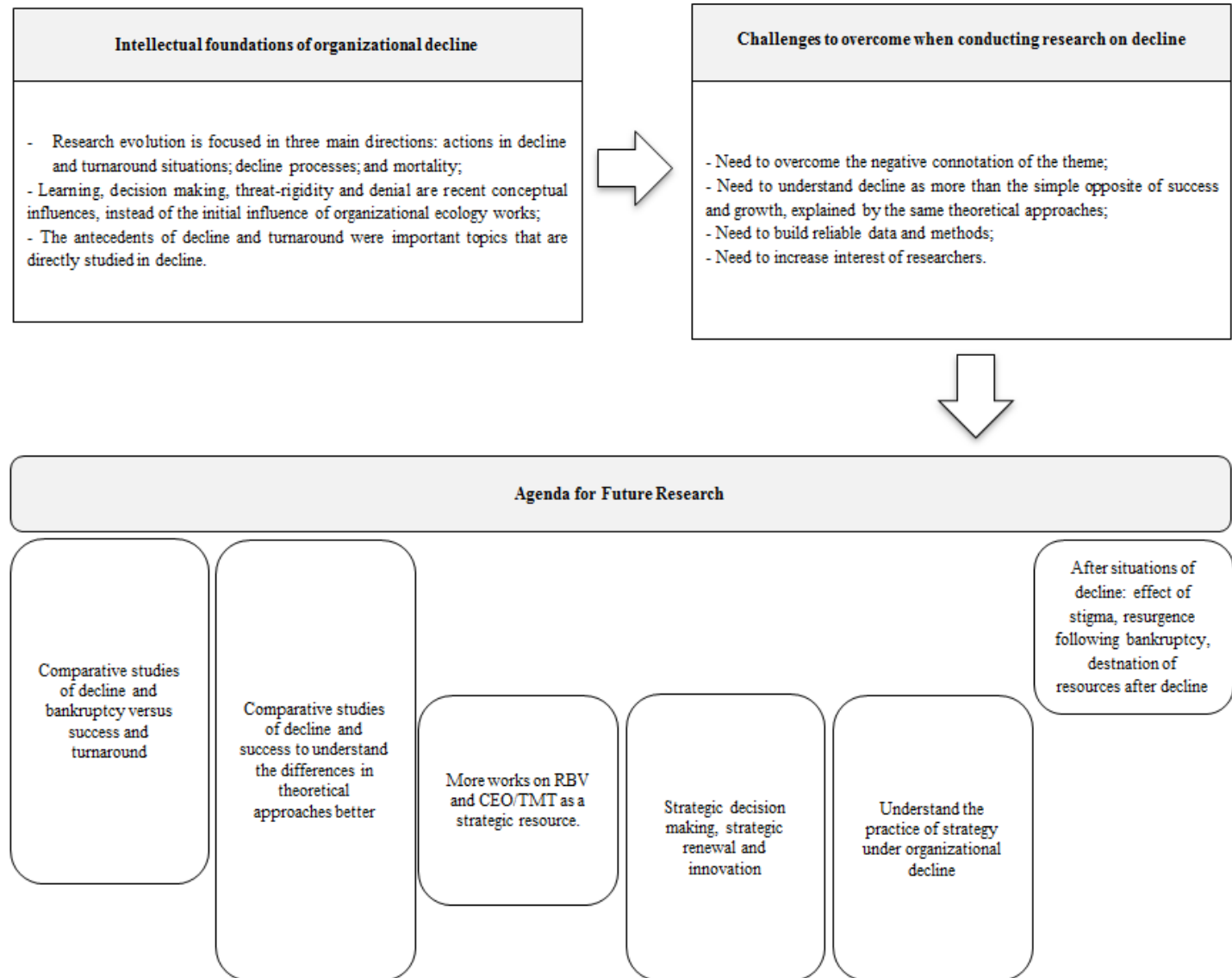
### **Intellectual foundations of organizational decline**

The research evolution of organizational decline appears to be focused in three directions: strategic actions in decline and turnaround situations, decline processes, and mortality. Mortality studies usually consider organizational ecology references. For example, recent works have been concerned with founding conditions and failure (Dobrev & Gotsopoulos, 2010). Despite the strong initial influence of organizational ecology on organizational decline studies, the evolution shows a growing focus on decline processes and strategic actions in turnaround situations.

Our study shows growing influence of the behavioral theory of the firm, considering learning and psychological factors in decision-making (Levitt & March, 1988). The threat-rigidity approach, represented by the article of Staw *et al.* (1981), especially offers explanations for poor organizational decision-making processes under stressful situations, such as organizational decline.

The threat-rigidity approach states that organizations that experience stressful situations will have rigid behavior (Staw *et al.*, 1981). Stressful situations are present in decline situations triggered by crises. Despite the important citation of this study in organizational decline works, there are few empirical studies of threat-rigidity and psychological factors of organizational decline. This means that a better understanding is required of the decision-making processes and actions under threat, as well as denial of early signs (see, for example, Muurlink, Wilkinson, Peets, & Townsend, 2012).

Considering the theoretical approaches that dominate the articles, and organizational decline as a phenomenon in the field of strategic management, it is surprising that the resource based view (RBV) does not appear among the theoretical approaches that have been used.



**Figure 2.** Challenges to Overcome and Future Studies on Organizational Decline



## Challenges to overcome when conducting research on decline and future agenda

Organizational decline is also an important phenomenon that challenges practitioners, and understanding its characteristics and contexts may help increase company longevity. Studying decline in management/business studies could be compared with medical studies. It could be argued that medical research focuses more on **failure** and **sickness** than it does on **success** or **health**.

This does not normally apply in management. We have found *prima facie* evidence from scholars, who have pointed to the negative nature of studying decline. Furthermore, the scarcity of data also impacts research. The capacity to build a database might provide an additional margin for future studies of decline. Some statistical methods could, at least partly, help to overcome the limitations regarding data. Techniques such as combined pairings (see Collins & Hansen, 2012; Harris & Bromiley, 2007) could be used, comparing companies with different performances, providing an alternative for building a small database and important insights for research. Matched-pairs approach have already been used by Collins and Hansen (2012), Hambrick and D'Aveni (1988) and Harris and Bromiley (2007).

Future studies should overcome the biased notion that studying decline is the opposite of studying success. This is likely to help to develop new theory rather than simply apply existing theory. For instance, finding new ways of using the resource based view (RBV) in the study of decline (Thornhill & Amit, 2003) could provide a better understanding of strategic resources, how they are obtained and, more importantly, how they are exhausted. For example, Norman, Butler and Ranft (2013) studied the influence of downsizing on resources. Studies to understand the relations of decline and turnaround with loss and gain of capabilities considering micro foundations could help to understand whether the RBV could be adequately applied to the phenomena (Teece, 2007).

We have less of an understanding of how a lack of valuable, rare, inimitable and non-substitutable resources (VRIN) can leave companies at a disadvantage in terms of competition, leading to a declining performance. A set of studies extending the RBV (a view based on knowledge and capacity) could aid future research. These studies may provide implications for studies of decline. For example, they could consider the TMT as a strategic resource (Hoskisson, Hitt, Wan, & Yiu, 1999), whose impact is manifested in the allocation of resources (Hambrick & Mason, 1984), which could prevent decline and lead companies down the path to restructuring (Pandit, 2000). Some studies on organizational success highlight the role of the leaders and cognitive behavior of the management in relation to performance (e.g., Hambrick & D'Aveni, 1988; Hambrick & Mason, 1984). There are a growing body of studies considering the influence of the board during crises (e.g., Dowell, Schakell, & Stuart, 2011).

There is continuous interest in strategic actions during decline and turnaround (Trahms, Ndofor, & Sirmon, 2013). Ndofor, Venenvenhoben and Barker (2013) found that turnaround is positively influenced by new products, acquisitions and strategic alliances. Other studies have shown the beneficial role of resources slack to reverse decline situations (Greve, 2011; Wan & Yiu, 2009). Complementary viewpoints can be given regarding threat-rigidity (Staw *et al.*, 1981), the effects of denial (Tedlow, 2012), and inability to develop industry foresight (Prahalad & Hamel, 1990), which are not directly linked to the traditional approaches of growth and success. There is actually a growing consensus that we need to understand decision making in organizations better (Mintzberg, 1987; Vaara & Whittington, 2012). Strategy-as-practice approaches (Vaara & Whittington, 2012) provide another opportunity for the study of decline, with a special focus on works that address turnaround, to aid better managerial decisions and strategic practice in organizations.

Longitudinal studies are required, considering the decline of a process rather than a discreet event. We must analyze over time and, as shown by Torres, Serra, Ferreira and Menezes (2011), we can trace a company's declining performance. Decline can be detected through performance pattern indicators (these are often financial or economic measurements), but the symptoms, causes and decisions that influence decline, and even the first signs of trouble, can be seen in the years prior to decline (D'Aveni, 1989b; Hambrick & D'Aveni, 1988). This leads us back to the need to study the antecedents of decline, seeking familiarity with many aspects, from the characteristics of the industry to the specific decline of companies to gain a better understanding of the specific regional or national context in which a company

operates. We can take the example of emerging markets in Latin America, with their cultural, political and institutional idiosyncrasies (Rugman, Oh, & Lim, 2012) that should be studied as part of the context in which decline can occur. Other more specific effects, such as the effects of the stigma of bankruptcy, rebirth after bankruptcy (not turnaround) and the inheritance of specific resources after bankruptcy complement our proposed agenda for future studies.

Measurement of organizational decline is also a challenge, stemming from the empirical difficulty to measure decline due to the imprecision of the concept, considering that decline is related to the deterioration of firm performance or its resource base over a period of time (Bruton, Oviatt, & White, 1994). For example, it is difficult to state the number of years that can be considered as decline. Authors tend to consider at least two years (Barker & Mone, 1994; Hambrick & Schechter, 1983; Robbins & Pearce, 1992) of negative financial performance indicators. The use of other measures and time lag also pose a challenge (Trahms *et al.*, 2013).

The definition challenge is also important when it comes to understanding the delimitation organizational decline. For example, downsizing may be considered a voluntary strategic decision to improve performance, but it is also an action for a retrenchment step for turnaround. Accessing the researchers and understand the inductive consensus regarding the phenomenon is important, as Nag, Hambrick and Chen (2007) did for strategy.

This work has some limitations that should be pointed out. Regarding the choice of key words, the weak definitions of the theme of organizational decline influenced the choice of these words. Future studies could include an analysis of the content of all the articles, raising elements to construct and typology of decline. Concerning the journals, although we selected 20, they cover only a considerable part of the studies that have been published, but the sample is not intended to be exhaustive, but rather representative and with a considerable impact on the community. Therefore, future studies could attempt to select a larger sample.

Concerning the author surveys, the data collection did not involve a questionnaire with specific questions as this would reduce the level of responses and we were interested in the opinions and viewpoints of the interviewees. Instead, a standard set of variables was composed. For this reason, the collected data are qualitative and based on specialists' perceptions, which restricts an additional analysis.

## Conclusion

We identified the most influential works and their conceptual approaches. The results show that, contrary to the dominant theoretical approaches in the studies of growth and success, organizational decline studies are impacted by learning, decision-making, threat-rigidity and denial. Despite the proposal for a research agenda, through which we intend to stimulate the growth of future research and show that there remains much to learn and understand about this important phenomenon, the findings show that organizational decline brings specific challenges in overcoming the negative connotation of the theme. The first is to understand that decline is not necessarily the opposite of success. It is also difficult to access reliable data, and it is necessary to attract future researchers.

Organizational decline is a relevant and important phenomenon to study. It is not sufficiently researched, and it appears to not be well served by existing mainstream theories. Overcoming the challenges for future research on organizational decline is important to enable future studies. It is a problem-choice issue. Ziman (1987) defines problem-choice as "all the actions and considerations to enter into the intentional pursuit of scientific research" (p. 95). This situation is not restricted to the study of decline, but to research practices and the abandonment of important topics due to specific difficulties and negative connotations.

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## Authors' Profiles

Fernando Antônio Ribeiro Serra  
Avenida Francisco Matarazzo, 612, 01156-050, São Paulo, SP, Brazil. E-mail address: [fernando.antonio.ribeiro.serra@gmail.com](mailto:fernando.antonio.ribeiro.serra@gmail.com)

Rosiele Pinto  
UFPB, Cidade Universitária, s/n, Castelo Branco, 58051-900, João Pessoa, PB, Brazil. E-mail address: [rosielepb@yahoo.com.br](mailto:rosielepb@yahoo.com.br)

Luiz Guerrazzi  
Avenida Francisco Matarazzo, 612, 01156-050, São Paulo, SP, Brazil. E-mail address: [luizguerrazzi@hotmail.com](mailto:luizguerrazzi@hotmail.com)

Manuel Portugal Ferreira  
Avenida Francisco Matarazzo, 612, 01156-050, São Paulo, SP, Brazil. E-mail address: [manuel.portugal.ferreira@gmail.com](mailto:manuel.portugal.ferreira@gmail.com)

**APPENDIX A****Selection of Journals and Sample**

<b>Journal</b>	<b>Impact factor</b>	<b>1<sup>st</sup> year available on the ISI</b>	<b>Total articles on the ISI</b>	<b>Articles on decline</b>	<b>% per journal</b>	<b>% of sample</b>
Strategic Management Journal	5.529	1980	2112	42	2,0	19,6
Academy of Management Journal	8.443	1958	3140	24	0,8	11,2
Administrative Science Quarterly	7.057	1956	3520	20	0,6	9,3
Long Range Planning	4.365	1968	4086	20	0,5	9,3
Harvard Business Review	2.070	1956	13422	17	0,1	7,9
Journal of Management Studies	5.196	1966	3010	17	0,6	7,9
Organization Science	5.512	1990	1336	14	1,0	6,5
Academy of Management Review	9.698	1983	2049	13	0,6	6,1
Journal of Management	8.027	1983	1485	14	0,9	6,5
Management Science	3.428	1954	6115	11	0,2	5,1
Organization Studies	3.355	1981	2323	8	0,3	3,7
Management Decision	3.787	1975	960	7	0,7	3,3
California Management Review	2.672	1958	2112	4	0,2	1,9
British Journal of Management	2.661	2000	607	3	0,5	1,4
Academy of Management Annals	10.154	2007	95	0	0,0	0
Academy of Management Perspectives	3.766	2006	394	0	0,0	0
Asia Pacific Journal of Management	3.000	2008	287	0	0,0	0
Business Strategy and the Environment	2.877	2009	207	0	0,0	0
Organization	2.655	1995	1012	0	0,0	0
Strategic Organization	2.472	2007	164	0	0,0	0
<b>TOTAL</b>			48436	214	0,4	100

**APPENDIX B**

