

This Week's Citation Classic

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Blau P M. A formal theory of differentiation in organizations.
Amer. Sociol. Rev. 35:201-18, 1970.
[University of Chicago, IL]

Organizational size and differentiation are positively related, but the two have opposite implications for administrative overhead: differentiation increasing it, and size decreasing it, contrary to the bureaucratic stereotype. The growth of differentiation with increasing size occurs at decelerating rates, which can be explained by the feedback effect of complexity's administrative cost. [The *Social Sciences Citation Index*[®] (SSCI)[®] indicates that this paper has been cited in over 180 publications since 1970.]

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"Until a quarter of a century ago, most sociological research on organizations involved either case studies or surveys of individuals in organizations. I was one of the first—I thought I was the first, being unaware of concurrent studies in England—to design research on a sufficient number of organizations to permit quantitative analysis. Preliminary results of the first major study of government agencies showed an organization's size to be strongly related to most of its other features, particularly to all aspects of differentiation—the division of labor, hierarchical levels, number of branches, number of major departments, number of sections per department, etc. My first reaction was to dismiss this as uninteresting and try to devise procedures to get rid of the influence of size to examine the independent effects of other conditions—by residualizing, using ratios, or always controlling size. It was only after some months that I decided that such a dominant influence cannot be dismissed as uninteresting but must be taken seriously.

"I then developed the simple theoretical model in the *Citation Classic*, centering on two major effects of size. Assuming the causal sequence size-differentiation-administration, size has a direct effect, reducing administrative overhead, which reflects an economy of scale, but it also has an indirect effect, enlarging administrative overhead, because the more differentiated structure it produces requires more administrative coordination. The coordination problems engendered by increasing differentiation act as a brake slowing down further increases in differentiation with expanding size, which explains the curvilinear relationship.

"This theory is the central part of a book on these government agencies co-authored with Schoenherr.¹ Subsequent studies of numerous other kinds of organizations—other government agencies, department stores, universities and colleges, factories—all corroborated the basic model of the relationships between size, differentiation along various lines, and ratio of administrative personnel. Although I have in recent years turned away from the study of formal organizations, I have continued to analyze the significance of size differences, size distributions, and differentiation for social structures.

"One reason that this paper has been often cited may be that it represents a simple theory that is quite close to the empirical data that it explains and that can test it, in contrast to many sociological theories, which are using such vague concepts and so few unequivocal hypotheses that it is not clear what they can explain or how they could be tested. There may be another reason: it represents a scientific approach in sociology, and it tends to be cited by those who adopt a humanistic approach as a horrible example of what sociology should not be like."

1. Blau P M & Schoenherr R A. *The structure of organizations*. New York: Basic Books, 1971. 445 p.