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REVISITING PERMANENTLY-FAILING ORGANIZATIONS: A PRACTICE PERSPECTIVE

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ABSTRACT

Since the publication, more than fifteen years ago, of Meyer & Zucker's seminal book on permanently-failing organizations, relatively little has been accomplished to advance our understanding of the dynamics underscoring the perplexing phenomenon of permanently failing organizations. Drawing on a practice lens, the present study examines the phenomenon of permanent failure at a micro level. Four case studies of permanently failing organizations (a popular education centre, a repertoire cinema and museum, a manufacturer of explosives and a family-owned textile firm) provide the context for an in-depth exploration of how stakeholders participate *daily* in the production and reproduction of chronic failure. In total, four distinctive practices specific to internal stakeholders and three practices specific to external stakeholders are identified. Taken together, these seven practices, and their idiosyncratic variations thereof, form what we think is the start of a repertoire of practices which, when combined and cumulated, increase the risks of an organization heading toward, and remaining in, a situation of permanent failure. Insights from this study should be of particular relevance to managers grappling with one of the most intractable problems facing organizations today, namely the ways and means of overcoming entrenched organizational inertia.

Key words: Permanent-failure; Inertia; Decline; Practice; Strategy-as-practice

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REVISITING PERMANENTLY-FAILING ORGANIZATIONS: A PRACTICE PERSPECTIVE

INTRODUCTION

More than fifteen years have passed since Meyer & Zucker (1989) mused over the perplexing, and what they considered commonplace, phenomenon of organizations that "kept on ticking" despite sustained poor performance, or despite routinely failing, by any standard, to fulfill their goals (ibid, p. 21). Given conventional wisdom that only efficient organizations survive, how does one explain the continued existence of so many "inefficient" organizations: chronically unprofitable divisions of firms in which head offices nevertheless continue to invest; nonprofits whose services no longer meet the needs of a given community but that survive thanks to the support of remote donor constituencies; public agencies broadly recognized as no longer accomplishing any useful function but that continue to benefit, for various reasons, from government support. Meyer and Zucker labelled such organizations "permanently-failing" and suggested that their continued existence could be explained by their serving the interests of certain dependent actors who had, by various means, come to wield sufficient power to supplant the presumably more purely economic interests of owners. It was thought that permanent failure was more likely to occur during periods of organizational decline, when the respective interests of owners and dependent actors were more likely to diverge: the former being primarily interested in organizational performance and the latter in organizational maintenance.

Since the publication of Meyer and Zucker's seminal book however, and despite their having set a comprehensive and substantial research agenda at the end of it (Meyer & Zucker, 1989, pp. 154-159 for a summary), very little has been accomplished to further explore the dynamics which underscore permanent failure in organizations (notable exceptions are Eitel, 2004; Seibel, 1996). This is curious, as their work is frequently cited in the literature, in particular that associated with organizational decline, turnaround and/or survival (Chacar & Vissa, 2005; Jas & Skelcher, 2005; Nutt, 2004; Dawley, Hoffman & Lamont, 2002; Segal, 2002; Schulze, Lubatkin, et al, 2001; Kraatz & Zajac, 2001).[3] Such a reality bears witness, in at least one dimension, to the relative pervasiveness and importance of the phenomenon, which of itself justifies further inquiry into it.

The present work picks up on Meyer and Zucker's suggestions for needed research on the phenomenon of permanent-failure at the *micro* level (Meyer & Zucker, 1989, pp. 152-153) by proposing to do so using a practice lens. The "practice turn" in organizational studies takes the position that organizations are the outcome of what people *do* (Schatzki et al., 2001). A practice approach to organizational research thus invites researchers to take a closer look at the concrete and detailed activities that make up organizing in daily life and to pay particular attention to how such activities are embedded in routines, discourses and conversations. A practice lens, in our view, is necessary to help reveal dynamics which are otherwise not apparent or visible from a more macro perspective but which are nonetheless critical to the triggering and maintenance of an observable phenomenon.

Our paper begins with a review of Meyer & Zucker's model of permanent failure. Drawing on a practice lens (Johnson, Melin & Whittington, 2003; Jarzabkowski, 2005; Whittington, 2003; 2006), we then propose a revisited model of permanent failure. This is followed by a presentation of our methodology and an overview of the four case studes from which data was collected and analysed, and from which a repertoire of practices that appear to underscore and reinforce permanent failure was built. Based on our findings, we then develop a practice model of permanent-failure. The paper concludes by discussing implications for managerial practice and suggesting avenues for future research.

[3] for an arbitrary recent sampling from almost 150 citations since publication as per ISI Web of Science, 1/3 of which are relatively recent (post-2000)

THE MEYER AND ZUCKER MODEL OF PERMANENT FAILURE

At the core of Meyer and Zucker's initial inquiry into permanent failure was a contradiction: whereas empirical evidence suggested that organizational mortality declined with age – that is, that old organizations were less likely to die than new ones— evidence *also* suggested that organizational performance did *not* improve with age (Meyer & Zucker, 1989, p. 19). The simultaneous occurrence of both phenomena could only be explained by decoupling performance and persistence, or in other words, by decoupling the deeply ingrained belief, in both OT and economics, that organizational performance, usually defined in efficiency terms, was the main factor explaining organizational survival. As such, efficient performance could only be one − and not necessarily the most important − determinant of organizational survival. It was, in Meyer and Zucker's view, the co-existence of low performance and persistence that made permanent failure possible.

Under what conditions then would performance NOT be determinative of organizational survival? According to Meyer and Zucker and as discussed above, it was the divergence of interests between organizational owners and dependent actors, and the simultaneous gain of power of the latter under circumstances of organizational decline that triggered forces favouring organizational maintenance over performance (ibid, p. 91). The typical situation is viewed as one where stakeholders (both dependent and non-dependent actors) share in the belief that decline is undesirable, but fundamentally disagree on what to do about it (ibid, p. 133-134). Permanent failure sets in because on the one hand, only low-risk stop-gap measures are taken to address decline where decisive (and riskier) action is probably required (ibid, p. 96), and because on the other hand, exit (by owners, by means of closure or liquidation of assets), for a myriad of idiosyncratic reasons, is neither easy nor automatic (ibid, p. 22).

Meyer and Zucker deserve considerable credit for attempting to theorize a prevalent phenomenon (permanent failure) that until then had only been treated in the literature as an economic anomaly (ibid, p. 79). Their effort draws attention to the considerable impact that the actions of various stakeholders, each wielding varying degrees of power, can potentially have on organizational outcomes. Meyer and Zucker's work is also particularly laudable for offering, as the authors themselves have asserted: "a non-adventitious alternative to efficiency models of organizations, in particular models asserting that organizations maximize net benefits accruing to owners and residual claimants" (ibid, p. 150).

Despite its many insights and strengths however, the Meyer and Zucker model of permanent failure is not without its shortcomings, a reality that the authors themselves recognized by not claiming closure for their account (ibid, p.10), viewing it rather as a springboard for further inquiry and research. The reviews which accompanied the book's launch pointed out some of these shortcomings, in particular the model's lack of sufficient depth (Mansfield, 1991) and its questionable simplification of phenomena deemed more complex than the authors' account suggests (Hybels, 1991). In particular, Hybels questioned the accuracy of simply reducing the complexities of intra-organizational development to a struggle between those "who own or control the organization and those who do not." Indeed, the Meyer & Zucker model assumes that permanent failure is caused by dependent actors whose actions prevent owners from fulfilling their economic interests which are tacitly viewed as the "proper" interests of the firm. Our view is that ALL stakeholders, including owners and managers, actively participate in and contribute (whether consciously or unconsciously) to sustaining permanent failure. It is for this reason in particular that we think a practice lens offers a potentially more fruitful perspective through which to examine the dynamics of permanent failure as an organizational phenomenon.

PERMANENT FAILURE REVISITED

There is growing interest for practice view of organizations both in the organizational studies literature more generally, and in the strategy field more specifically (Balogun et al. 2005; Gherardi, 2000; Martin, 2006; Orlikowski, 2000; Whittington, 2003; 2006). As mentioned above, the "practice turn" in organizational studies takes the position that organizations are the outcome of what people *do* and invites researchers to explicitly re-focus their attention on the actions and interactions of human agents in organizational contexts (Jarzabkowski et al., 2007). Thus, from a practice perspective, organizing and strategizing, for example, are viewed as a situated and socially accomplished activity that arises from the actions, interactions and negotiations of multiple actors (Jarzabkowski, 2005). Such a perspective therefore generally assumes that all organizational members contribute to the crafting of the organization and/or its strategy. This is not to say that the actions of senior managers are thought to no longer be worthy of scholarly attention, but rather that there is still much to be learned from studying the actions of actors at all levels of an organization (Denis et al., 2007). Beyond situated agency, the practice perspective is also concerned with the wider social context in which such agency occurs. Although early studies in this vein of research were criticized for disregarding contextual influences, it is now very much accepted that micro-phenomena must be understood within their wider social context (Jarzabkowski et al., 2007; Whittington, 2006), as these both shape and are shaped by the structure and context in which they occur. Thus, any conceptualization of organizational phenomena which uses a practice lens must pay as much attention to the actions and activities of agents, as it does to the context in which such actions and activities occur.

Drawing on the insights a practice lens affords we propose an initial conceptual framework for studying permanent failure. The framework, which is presented in Figure 1, is built around stakeholders' practices and three concepts already associated with permanent failure in the literature: deterioration, performance and inertia. However, because of the inherent difficulties associated with providing a very precise assessment of each of these concepts, our choice has been to fall back on simple definitions, and to focus on the *links* between concepts and their *evolution* over time, rather than on the concepts themselves. In our view, operationalizing the framework in this way offers better potential for arriving at an understanding of the specific dynamics underscoring permanent failure.

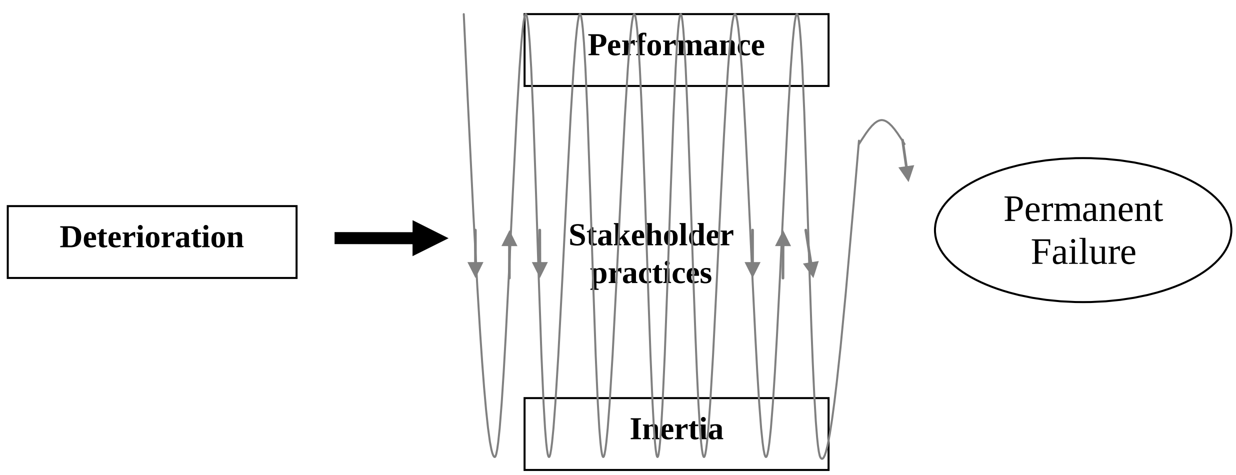


Figure 1. A revisited model of permanent failure

In this light, **performance** is viewed as per Meyer and Zucker, that is, as the extent to which organizations fulfill their officially stated goals (Meyer & Zucker, 1989, p. 48). Two sides to performance need to be considered: the dimension of *under* or *low* performance, for which some form of deterioration is often the sign, and which often triggers stakeholders into specific action aimed at addressing the situation, and the dimension of *desired* performance (again, however defined and which may be different for each stakeholder), which is generally what focuses or spearheads stakeholder actions. **Inertia** is seen simply as the incapacity of an organization to change in the wake of some form of deterioration (whether it has made any conscientious effort to do so or not.). Inertia may be the result of past organizational success, based on the often prevalent belief that what has worked in the past, will probably work in the future (Hodgkinson & Wright, 2002; Miller & Chen, 1994; Miller, 1994; Milliken & Lank, 1991). Inertia in any case is usually difficult to overcome because of its being actor-driven and tightly bound up in the established interpretive schemes that organization members refer to when performing their daily work routines (Miller, McKinley & Mone, 2001; Hinings & Greenwood, 1988). And finally **deterioration** is also understood in a broad sense, that is, as a degree of organizational decline sufficient to generate concern among one or more of the organization's stakeholders (Cameron, Kim & Whetten, 1987). Deterioration can occur in a number of dimensions, including at the level of resources (either financial or human), demand (for products or services) and/or general performance (Meyer & O'Shaughnessy, 1993).

In this re-conceptualization, permanent failure takes shape progressively within a gradual process of deterioration which is characterized by relatively smooth upwardly and downwardly cyclical trends that evolve over time into a sustained state of relative inertia, from which, for myriad reasons, the organization cannot extricate itself. The form of organizational deterioration or its sources (which can be multiple (Vincent, 2005; Weitzel & Jonsson, 1989)) are irrelevant in this conceptualization, because whatever they may be, what is of fundamental interest is that 1) they tend to cause organizational dysfunction (Lamberg & Pajunen, 2005; Cameron, Whetten and Kim, 1987); 2) they tend to lead an organization to a situation of decreasing resource munificence (Cameron, Sutton and Whetten, 1988) and 3) they tend to remain stubbornly unresponsive to organizational change or turnaround attempts over time. Whatever stakeholders do to address organizational problems (diminished demand, diminished resources, low performance, etc.) doesn't work: effects, if any, are at best limited or short-lived. And yet, despite these repeated failures, the organization lingers on and does not die. The organization is caught in a rut. It is "permanently-failing."

Our framework therefore assumes that sustained underperformance or permanent failure is not the result of deliberate or intentional actions on the part of specific organizational actors but that it is rather the unintended outcome of a myriad of practices of a variety of actors from both inside and outside the organization. It is these practices that, in our view, sustain organizational inertia and decline, which in turn trigger and nourish what eventually becomes a "vicious circle" of permanent failure.

METHODOLOGY

The study of practices requires that researchers be in close, and even daily, contact with practitioners. In-depth case studies and ethnographies have therefore been until now the most favoured approaches for studying organizational practices (Balogun, Huff & Johnson, 2003). These approaches have also guided the present research effort. However, because of the unique methodological challenges that the study of permanently failing organizations poses, we also relied on alternate methods, including, at least for one of our case studies, the heavy use of secondary data. Foremost of methodological challenges involved the identification of potential case studies. Indeed few, if any, organizations would ever self-describe themselves as "permanently failing." Given as well that permanent failure can occur in a wide variety of organizations and contexts, it was furthermore not possible to develop a standard profile, based on criteria as such legal status, size or sector, for example, to describe a "typical" permanently failing organization. Identifying case studies and subsequently gaining access for data collection purposes therefore proved to be somewhat problematic and creative methods needed to be used.

For the present research initiative, we proceeded as follows. To begin, a review of the literature allowed us to suppose that there was a greater chance of finding permanent failure in any one of the following types of organizations: nonprofit organizations (Seibel, 1999; 1996); public and private organizations that depend heavily on government support − in the form of grants or subsidies − (Eitel, 2004; Flyvbjerg, Holm & Buhl, 2002); organizations evolving in declining industries (D'Aveni, 1989); and finally, family-owned firms (Mintzberg & Waters, 1982). Via word of mouth, personal connections and consultation of the public and business press, we were able to identify four potential organizations, representing each of the categories above, for study: a popular education centre, a repertoire cinema and museum, a manufacturer of explosives and a family-owned clothing firm.

With the exception of the family-owned clothing firm, cases were approached under the guise of a study "on the internal dynamics of organizations that are constantly searching for ways to finance their activities." Data for the first two (a popular education centre and, a repertoire cinema museum) were obtained by means of two ethnographic studies conducted in real time, which were supplemented with interviews, organizational documentation and press data. Data for the third case (the explosives manufacturer) were obtained primarily from secondary sources. More precisely, we began by working with existing data (derived from three master theses) which we then supplemented with in-depth interviews with senior executives, organizational documentation and press data as needed. Finally, detailed ethnographic data for the fourth case (the family-owned clothing firm) had already been collected in the context of a previous extensive ethnographic research which included participant observations, semi-structured interviews, and document analyses. A summary of data sources for each case is presented in Table 1.

	St-Matthew's Centre	Filmathèque	XP Chemicals	IS Clothing
Participant observations	4 months	2 months	visit of the firm	18 months
Interviews w/staff, executives and other stakeholders	19	17	3	51
Meetings observed	8 (planning)	5 (planning)	n/a	6 (planning) 20 (organizational)
Documentation and secondary data	-Annual reports 1990-2000 -Formal planning documents	-Annual reports 1985-2002 -Formal planning documents	-Documentary data including 3 master's theses -Press file 1980-2002	-Strategic plans and firm documents -Press data on clothing industry

Table 1. **Study data sources**

Data analysis was completed in three steps. The first step involved writing detailed narratives of each case, documenting, in considerable detail, key moments of each organization's life (Langley, 1999). In recording and classifying illustrative quotations and actions, particular attention was paid to fully document the roles played and actions taken by all the different stakeholders involved. In particular, note was taken of the various ways in which each stakeholder group (employees, board members, owners (where applicable), funders, clients, beneficiaries, institutions, the media, etc.) contributed to inertia or undertook some action in an effort to improve performance (whether actually or only intentionally – as in "we should do this", "the organization would be better off it is did this", etc.). The second step involved analyzing each case in order to identify factors (including actions, cognitive frames, and discursive statements) that could help explain the various ways that stakeholders could be contributing to permanent failure. For each case, tables listing all the quotations and events were built. The third and final step involved comparing findings between the four cases, and revisiting the data as needed in order to look for similarities across cases and to begin drawing a repertoire of practices by which both internal and external organizational actors contribute to producing and reproducing permanent failure.

Summary presentation of each case

St-Mathew's Centre: Founded 25 years ago by a religious order, the Centre's foundational mission was to provide spiritual guidance and support, primarily by means of educational programs and activities, to low-income and poor families living in Montreal. Pulling together the necessary funds to offer programs to a clientele that could not pay for even a small part of the cost was problematic from the start. Initial core funding from the religious order and additional funds from token fundraising efforts quickly proved to be insufficient to meet demand, prompting the organization's board to adopt more aggressive strategies for ensuring the organization's financial viability. Among other initiatives, the Center also launched a series of development and education programs targeted at professionals working in the third sector and began renting its meeting space and audio-visual equipment to third parties. The intent was that the profits generated from these programs would pay to support the more philanthropic activities of the center. Soon enough however, the center's revenue-generating activities began to eat up increasing amounts of staff time and attention, eventually compromising the extent and availability of the center's core programs. Today, despite several strategic planning efforts aimed at redressing the situation, St-Mathew's finds itself caught in a difficult bind with stakeholders feeling, on the one hand, that they cannot forfeit the Center's revenue-generating activities as these are deemed indispensable for ensuring organizational survival (even though these remain marginal to the Centre's core activities and mission) and yet recognizing, on the other hand, that the Center is nowhere near achieving its officially-stated goals.

Filmathèque: The Filmathèque was founded in the 1960s by a group of Montreal cinema enthusiasts concerned about the acquisition, conservation and promotion of quality films, documentaries and related cinematographic materials. Gaining considerable political visibility and clout over the years, the Filmathèque progressively saw larger and larger amounts of its growing operating and infrastructure budgets covered by government grants. The government's justification for such investment was the preservation of "national culture." Despite its quality programming and conservation efforts, which are routinely recognized and lauded by cinematographic elites, in its forty years of existence, the Filmathèque has never been profitable. In recent years, external sponsors and the government co-sponsored the construction of a new state-of-the-art viewing and conservation facility for the Filmathèque, under the assumption that such a facility would drive up paid attendance, and thus render the Filmathèque more self-sufficient. Despite these initiatives and expanded marketing efforts, attendance continues to be low and self-sufficiency, elusive. Continually worried that the government will pull back on its funding, the Filmathèque fully understands and even yearns for greater financial autonomy. Such autonomy however requires making a choice between focusing primarily on acquiring and conserving cinematographic material on the basis of artistic merit or alternately doing so on the basis of public appeal, a choice that the Filmathèque cannot bring itself to make.

XP Chemicals: Founded in the 1940s as a crown corporation in order to supply the Canadian army with ammunition during the Second World War and later privatized, XP Chemical boasts a tumultuous and eventful history, characterized by wildly vacillating demand for its products (explosives), belligerent unions, a succession of owners, a series of dreadful industrial accidents, and recurrent financial crises from which it was routinely bailed out of, usually *in extremis*, by various levels of government and/or various creditors. Third largest employer in the region in which it is based, any threat of XP closing down (at least four such occasions since the mid-1970s) has typically set the unions, the local population, the media and by association the government up-in-arms, panicked at the potential loss of so many jobs for the region. Although more recently XP has managed to re-orient production toward a more profitable market (explosives for industrial rather than military needs) and stabilize its financial situation, it is still far from being out of the woods. Its continued reliance on government subsidies and loans, as well as its quasi exclusive dependence on a single market for all its sales, leaves it in a particularly vulnerable position, the next financial crisis a mere stone's throw away.

IS Clothing: IS Clothing is a family-owned and Montreal-based manufacturer of high-end designer clothing for women. IS Clothing's history is rife with multiple unsuccessful efforts aimed at redressing the company's chronically unstable financial situation, triggered in the seventies by the growing threat of clothing imports from Asia. Initial efforts to modernize and rejuvenate the company's lines were undertaken with some success by the owner's two sons-in-law. However, such efforts were thwarted when a falling out with the owner prompted the sons-in-law to leave the company, and sales subsequently plummeted. Determined to prove that he could manage the company successfully on this own, the owner injected new funds into the company and hired an outside manager as CEO to help turn the company around. Despite the CEO's sucess at opening new markets in Canada and the U.S., the company's financial situation, although improved, remained precarious. More recently, in yet another effort to salvage the company, a local economic development corporation injected new funds into the company, on the condition that it merge with a local design firm. The merged managerial team decided to widen the company's product line downwards so as to reach a broader clientele. Although this strategy has yielded some results, these have not been sufficient to offset the costs associated with implementing.the strategy in the first place. For all practical purposes, the company has been living on various forms of life-support for over twenty-five years.

FINDINGS

In-depth analysis of the data from these four cases revealed a number of stakeholders practices which appeared to either directly or indirectly contribute to the production and reproduction of permanent failure in these organizations. As the practices of internal stakeholders (employees, owners, management) tended to converge, as did those of external stakeholders (board members, clients, funders, institutions, etc.), these were grouped together accordingly. In total, we observed four distinctive practices specific to internal stakeholders and three practices specific to external stakeholders (see table 2). Taken together, these seven practices, and their idiosyncratic variations thereof, form what we think is the start of a repertoire of practices which, when combined and cumulated, increase the risks of an organization heading toward, and remaining in, a situation of permanent failure.

Internal stakeholder practices

Four internal stakeholder practices were observed: 1) persistent reversion to established mental frames, 2) repeat contradictions between discourse and action, 3) systematic withholding or non-circulation of information, and 4) ongoing disagreement over management priorities. These practices were present, in various forms, in all four cases.

Persistently reverting to established mental frames (referring to ways of doing and ways of seeing within the organization (Hodgkinson & Wright, 2002) was a common practice across cases. Mental frame persistence sometimes took the form of ideological justification. In three of the four cases, the mental frames which persisted the most were those related to some kind of ideological justification of the organization's "reason for being," one so strong that certain stakeholders (whether dependent or non-dependent) felt that such justification should supplant all

INTERNAL STAKEHOLDERS	EXTERNAL STAKEHOLDERS
1. Persistent reversion to established mental frames *Observed manifestations*: • Resorting to ideological justifications for organization's "raison d'être;" • Nurturing a general mentality of dependence; • Repeatedly reverting to strategies and ideas that have worked in the past.	1. Continuing endorsement of organizational mission *Observed manifestations:* • Ongoing positive coverage of the organization in the media; • Ongoing endorsement by known personalities; • Ongoing granting of significant contracts
2. Repeat contradictions between discourse and action *Observed manifestations*: • Not following up on promises or commitments made; • "Shelving" or misapplying approved organizational strategic plans.	2. Ongoing provision of financial support *Observed manifestations:* • Continuing support (various forms, including grants, subsidies, loans, etc.) from funders (government, donors, banks, etc.)
3. Systematic withholding or non- circulation of information *Observed manifestations:* • Routinely seeking to "protect" personal power/interests; • Maintaining a defensive attitude; • Discouraging open dialogue and debate.	3. Ongoing support of management *Observed manifestations:* • Refusing to put into question the competence of existing CEO/ED; • Maintaining the belief that salvation of organization depends on existing CEO/ED.
4. Ongoing disagreement over management priorities *Observed manifestations:* • Unwillingness to make decisions based on financial considerations alone; • Privileging values to the detriment of performance.	

Table 2. A repertoire of practices reinforcing permanent failure

other considerations, including short-term solvency concerns. The Filmathèque's devotion to the "7th art", St-Mathew Center's imperative to provide "spiritual guidance to those in need," XP

Chemicals' role in supporting Canadian "national defence" and local job creation, or IS Clothing's view of itself as the "last Canadian manufacturer of top-of-the-line women's clothing" are all examples of such ideology-based discourses.

Mental frame persistence also occasionally took the form of a generalized mentality of dependence by certain actors which impeded any genuine effort or initiative aimed at rendering the organization economically self-sufficient (Edwards et al., 2002). This appeared in all of the four cases observed. Within this frame, actors were of the opinion that it was "normal" and even to be expected that their organization continue to exist and receive external support and endorsement despite a history of poor performance. In their view, the troubles their organizations were facing were "unfair," and that some form of leniency, as regards economic performance in particular, was warranted. This was the case of St-Matthew Centre's position with the religious order that founded it ("if they want to us to keep serving the poor, they should just fund us for it"), as it was with the Filmathèque's and XP Chemicals' relationship with government, or in the case of IS Clothing, its relationship with the local economic development corporation, which was devoted to finding ways to preserve and maintain jobs in declining industries.

Ongoing and routine **contradictions between discourse and action** was another practice which occurred at many levels in the cases observed. This practice appeared to evolve out of the difficulty of reconciling prevalent mental frames and ideological beliefs with other substantive imperatives, such as economic performance, leading to paradoxical and difficult situations for both internal and external organizational stakeholders (Luscher et al., 2006). The frequent outcome of such dilemmas was a disconnect between what was said and what was done. Thus for example, at XP Chemicals, even though promises (formal or informal) regarding job preservation or terms of employment were often made by management or government, these were frequently reneged upon or their implementation was deliberately stalled for extended periods of time. This occurred several times over the course of the organization's history, breeding mistrust of owners and government among employees, the media and the wider community in which the organization was based, which further complicated subsequent negotiations or discussions over possible means for redressing the organization's ongoing and seemingly intractable troubles. Another example occurred at the Filmathèque, where despite the forced adoption and implementation (by the board and funders) of a strategic plan aimed at restructuring the organization and its operations (so as to render it more financially self-sufficient), nothing in the end actually changed. Even after the organization's supposed overhaul, minus a few superficial changes and a couple of layoffs, namely of young, low-seniority staff, in the end, everyone ended up more or less "doing pretty much the same as they were before the plan was put in place." At IS Clothing, even though the local economic development corporation accepted to finance IS' merger with a design firm on the condition that the newly formed company become a Italian-inspired "fashion house" and that IS' management team endorsed the project, on a day to day basis resources and managerial effort continued to be invested in trying to build up exportation to the US, at the expense of developing innovative new links between manufacturing and design, core elements of the Italian business model for fashion development.

A third practice involved communication practices and the general flow of information in each organization. Among organizations observed, **information was poorly circulated, and frequently withheld**, a practice attributable to a variety of factors, depending on each case, the maintenance of a general culture of organizational secrecy being a common one. Such was the case at the Filmathèque for example, where in order to overcome prevailing censure norms – to ensure the preservation of art films deemed too provocative or shocking – the organization was deliberately secretive of its activities (what films it acquired, how much it spent to acquire them, for example). A culture of secrecy was also present at XP Chemicals, given its early involvement in military affairs. And at IS Clothing, a culture of silence prevailed between top managers and sales reps, who frequently complained about "being treated like children" and "always being the last to know about anything happening at the company."

Lack of information or the circulation of only partial or incomplete information tended to impede internal debate over organizational priorities and activities thus favouring the operational "status quo" so as to not "rock the boat." This was for example clearly the case at St-Matthew's Centre, where the organization's orientations (providing for the needy or not, for example) were never subject to any form of debate. Lack of information also seemed to breed mistrust among the various organizational stakeholders observed, impeding concerted action, and thus presumably, any kind of genuine effort at organizational turnaround.

Finally, **routinely disagreeing over management priorities** was a particularly salient practice, clearly observable in all four cases, and generally the source of considerable internal organizational stress and tension. All four cases were indeed characterized by situations that made the determination of management priorities particularly complex and difficult. Trying to reconcile contradictory goals seemed at the root of this particular practice. Thus trying to salvage a plummeting bottom line while still preserving jobs (XP Chemicals), preserving core mission in the face of a declining resource base (Filmathèque and St-Matthew's Centre), or saving the family firm (IS Clothing) all represented situations which were viewed, at least from the perspective of those stakeholders dealing with them, as "lose-lose." None of these organizations could bring themselves, even under substantial duress, to make decisions based only on financial considerations. Human, aesthetic, familial or more values-based considerations came routinely to the fore, impeding what might be considered, at least in the opinion of certain observers, "decisive" action. In two cases, the organizations observed were grappling with core missions, values or activities that did not immediately lend themselves to being "profitable" in a traditional economic sense. Both the missions of St-Matthew's Centre and the Filmathèque were, almost by definition, vowed to being unprofitable from the start. XP Chemicals on the other hand, saw its ability to impose turnaround action impeded by social concerns, namely the preservation of jobs in a job-starved and politically powerful part of the country. And finally, emotions seemed to have had the better hand of the owner and founder of IS Clothing, who found himself torn between closing his firm down and admitting defeat, or keeping it going and hoping for the best.

As a practice, privileging values to the detriment of the performance was also the one most exacerbated by the other three practices described above. Persistence of mental frames for example, prevented those attached to traditional values from letting go of these in favour of other values perhaps more amenable to long-term organizational health. Thus, if the Filmathèque was willing to enthusiastically embrace diffusion of films with popular appeal as a viable long-term strategy for generating revenue that in turn supports its other, less inherently profitable activities, then perhaps financial self-sufficiency, something it very much desires, might not be quite as elusive as it currently is. However, the Filmathèque cannot bring itself to do this as it harbours a fundamental, deeply-ingrained belief that, should it engage in this type of activity, it will necessarily compromise its core mission, and ultimately, its *raison d'être*. Such beliefs are not easy to dislodge. Disagreement over management priorities might also explain why an organization might declare one thing in its official discourse, and then go on and act in ways that are contrary to its official position. For example, even though St-Mathew's Centre openly considered itself to be a "family" oriented organization that never "fired" people (and thus giving priority to human over economic concerns), in reality, when it did find itself in situations where it was necessary to dismiss a staff person for economic reasons, it did so without hesitation.

External stakeholder practices

Internal stakeholder practices do not occur in a vacuum. Such practices are necessarily supported by external stakeholder practices. To these we turn to now. Our data revealed three such practices, which were present in all four cases observed: 1) continuing endorsement of organizational mission (thus legitimizing the mission), 2) ongoing provision of financial support, and 3) and ongoing support of management.

All of the organizations studied benefited from **continuing support and endorsement of organizational mission** by various external stakeholders. Such support might take various forms, including, but not limited to, positive coverage of the organization and its activities by the media, public endorsement by known personalities, or the repeat granting of significant contracts, particularly by government. Clear endorsements such as these send an indirect message to the wider public that the organization and its activities are legitimate, and therefore worthy of support, and in particular financial support. If ongoing despite sustained underperformance, such support may trigger, and over time also nurture, permanent-failure. All four of the cases studied benefited from various forms of endorsement from their respective communities. St-Matthew's Centre continued to receive support from a wide donor base, and did not experience any difficulty recruiting various personalities to lead its fundraising efforts. The Filmathèque, despite its foibles, continued to receive substantial government support year after year, and XP Chemicals was routinely, albeit *in extremis*, bailed out by the government, sending the indirect message to a wider public, as the local economic development corporation did for IS Clothing, that the organization was "worth saving."

Closely tied to continuing support and endorsement of organizational mission is **ongoing financial support**. All of the organizations studied benefited from some sort of external financial support, either in the form of direct subsidies or grants from government (Filmathèque and XP Chemicals), or of financial support from external or internal benefactors (St-Mathew's Centre and IS Clothing Confection). This particular practice is a critical one, if not the most critical, for without it, all four of the organizations studied (and permanently-failing organizations in general) would have had to cease their operations for lack of resources. It is precisely because these organizations somehow always managed to secure funding, in some form or other, and often *in extremis*, that they continued to exist despite sustained underperformance. In some cases, as in the St-Mathew Centre's donors, funders are simply unaware of the organization's internal situation, and rely on the organization's general legitimacy for making a decision about whether they should continue to give money to the organization or not. In other cases, funders are driven by the belief or hope that *this* time, things will work out. Such was the case of XP Chemicals and IS Clothing. And in yet other cases, funders are caught in a routine, cornered into providing ongoing support, for want of alternatives (as was the case of the government's ongoing support of the Filmathèque despite its misgivings in its regard and its hope that one day the organization could be more self-sufficient than it was).

A third and final practice observed among external stakeholders is the **ongoing support of management,** particularly by the governing board, which here we considered to be an external stakeholder of the organization, primarily on account overall responsibility for providing oversight of organizational operations and finances. Interestingly enough, in our four cases, the board harboured unwavering support for the organization's most senior manager, either the executive director (in the case of nonprofit organizations) or the CEO (in the case of for-profit organizations). In all cases, the person occupying the most senior management role had been in place for ten years or more, without any suggestion or sign from the board that he or she should or would be removed in the short or even the medium term. On the contrary, these individuals were viewed as indispensable assets by the board and perhaps even the reason why each organization had managed to survive for so long despite all its troubles. In none of these cases was there any suggestion that the executive director or the CEO might be, whether directly or indirectly, intentionally or not, the principal supporter of inertia in these organizations.

A PRACTICE MODEL OF PERMANENT FAILURE

Although our four cases were very different from one another, and the reasons which triggered performance decline in each case varied widely, a number of common themes do emerge from the data, allowing us to make a contribution to the existing literature on permanently failing organizations, and to some extent also we feel, to the literature on organizational inertia and decline. To begin, our study largely confirms our initial assumption that all stakeholders, both internal and external to the organization, contribute to the nurturing and maintenance of permanent failure. Second, and perhaps more importantly, by drawing on the similarities and differences between the cases studied, we are able to propose a practice model of permanent failure, which considerably enriches the original model proposed by Meyer and Zucker. To these points we now turn.

Regarding the role of stakeholders in permanent failure, in none of the cases studied was permanent failure the outcome of a simple confrontation between the deliberate strategic actions of non-dependent organizational actors up against the contrary actions of dependent actors, as per the Meyer and Zucker model. Permanent failure could not be reduced or limited to being the outcome, for example, of some sort of deliberate sabotage by employees of owner-led efforts aimed at redressing a situation of organizational decline. Rather, in the cases observed, permanent failure took the form of a process that was constantly (and generally unintentionally) renewed, nurtured and maintained, produced and reproduced by a wide variety of stakeholders. In other words, permanent failure was the unintended outcome of routine or ineffective actions by various organizational stakeholders, both dependent and non-dependent, acting in ways each thought was "best" for the organization. It was indeed the interaction between these various and often non-aligned set of practices which led, in all four cases, to permanent failure.

Second, our findings allow us to propose a practice model of permanent failure which explicitly articulates the link between action and context, a link made particularly salient by the nature of the similarities and differences observed across cases. Thus similar were the paradoxical situations that gave rise to practices that tended to push an organization into a situation of permanent failure. Different were the forms that decline took across cases. These contrasting observations, which are portrayed in Figures 2 and 3 below and which are discussed in greater detail in the following paragraphs, highlight in particular the dual and complementary role of practices and context in the shaping of permanent failure.

Thus across cases, the construction and maintenance of permanent failure appeared to be largely due to actors finding themselves, as a result of the organization suffering some form of decline, in paradoxical situations (Luscher et al., 2006; Lewis & Dehler, 2000), where resolution, when apparent or possible, almost inevitably entailed transforming the very ethos of the organization, that which had brought the actors together in the first place. For example, although to some, the obvious solution to St-Matthew's Centre's "problem" was for it to abandon its unprofitable activities (namely its educational offerings to non-paying participants) and focus on those that seemed to be working (namely professional development workshops for non-profit professionals), those who were part of the organization found this anathema, virtually unthinkable, as the very "soul" of the organization would be compromised, should such a path be taken.

Paradoxical situations did not necessarily lead to organizational paralysis however. All four of the organizations studied were very active about addressing their problems: strategic planning efforts were initiated, solutions were proposed, actions were taken, but all to little or no avail. Despite considerable investment of time and resources, improvements in performance were routinely short-lived or in some cases, downright elusive, a dynamic illustrated in Figure 2. Our adoption of a practice lens has indeed proven fruitful to help reveal the intricate and complex dynamics whereby permanent failure sets into an organization, and explains why it is so difficult for organizations to extricate themselves from its grip. The "vicious circle" of permanent failure is effectively nourished and maintained through the myriad unintentional practices of actors that counter the deliberate and intentional strategic actions of the organization (to which these very same actors, more often than not, contributed to crafting).

Thus, when actors did take action to address the problem of deterioration in any of the organizations studied, for various reasons, these were often either ineffective or ignored. It did not seem to make almost any difference whether an initiative was a genuine turnaround effort, or only a stop-gap measure, for regardless, such efforts systematically came up against deeply ingrained mechanisms composed of work routines and beliefs which were effectively the drivers of action and behaviour in these organizations. In fact, stop-gap measures seemed to be a way of life for these organizations that went from financial crisis to financial crisis, always harbouring the hope that things one day would get better.

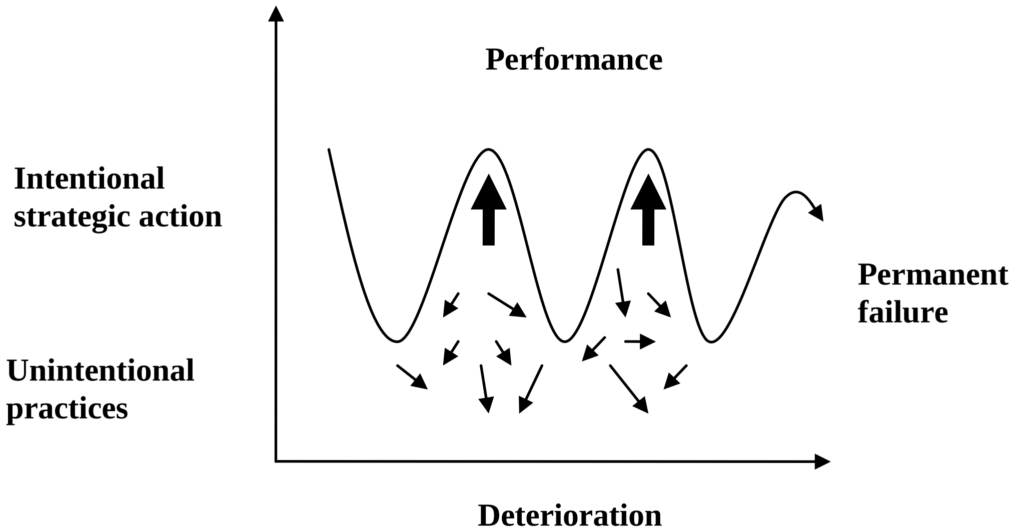
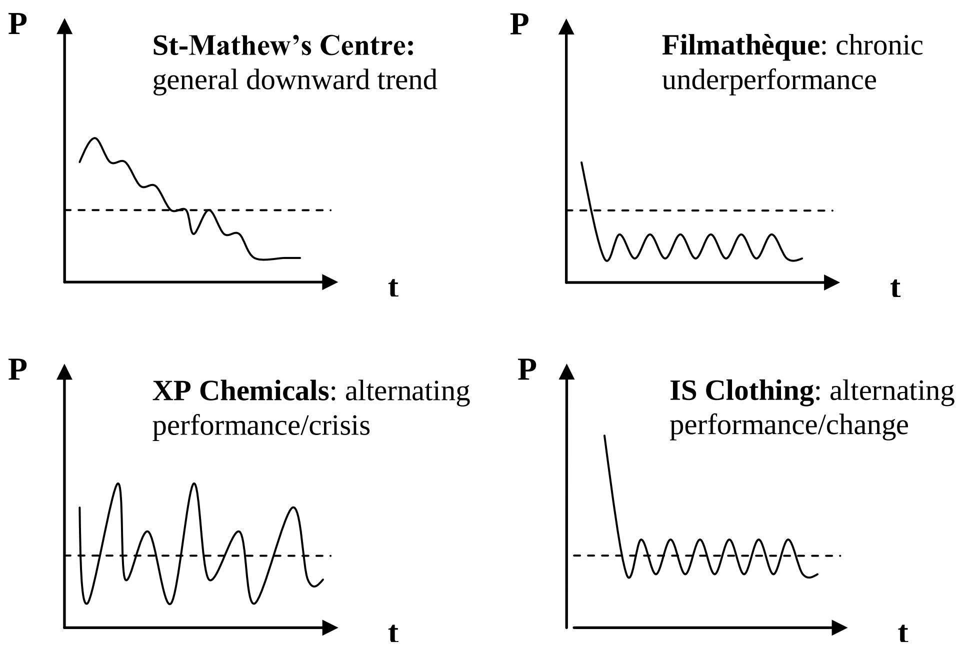


Figure 2. A **practice perspective of permanent failure (action view)**

In contrast, the forms that deterioration and by association decline took in each case varied widely from case to case, which suggests that almost any form of deterioration can potentially lead to and nurture permanent failure. In one case (IS Clothing) decline was reflected as a relatively steady downward trend. In another (XP Chemicals), decline was more of a turbulent roller coaster ride where sequences of rapid decline were followed by relatively successful turnaround efforts followed by yet more episodes of rapid and life-threatening decline. And in the final two cases (St-Matthew's Center and the Filmathèque) decline took the form of a one-time occurrence which had more or less stabilized but that had left both organizations in a state of chronic underperformance (at least in terms of achieving their officially stated goals). Furthermore, the source of deterioration, whether performance related (drop in performance, however defined), resource related (financial troubles, decreased resource munificence, etc.) or demand related (drop in demand for products or services), did not seem have any effect on whether permanent failure arose or not. If anything, demand-related deterioration might be easier to pick up on (and thus be the cause of greater stress or panic in an organization) as opposed to resource or performance-related deterioration (which might "lay low" for quite some time before the organization becomes fully aware of there being a "problem"), but permanent failure was observed across types, so could not be said to be related to a specific type of deterioration. Figure 3 presents the various forms that deterioration took in each of the cases investigated in the present study.



P: performance
t: time
dotted line: minimum acceptable level of performance (however defined)

Figure 3. A practice perspective of permanent failure (contextual view)

Finally, what is made clearly apparent by contrasting these two views of our data is the mutual influence that both the micro and the macro level views of practice have on the phenomenon at hand. Indeed, as articulated by Jarzabkowski et al (2007), the micro-practices underscoring permanent failure were very much embedded in *praxis*, or in other words, they were part and parcel of the intricate "interconnection between actions of different, dispersed individuals and groups and those socially, politically and economically embedded institutions within which individuals act and to which they contribute." Thus, over time, various individual practices became embedded in organizational structure (as it did at St-Matthew's Centre where the organization's flat hierarchy helped strengthen unit autonomy and poor information flow), or became institutionalized in the form of prevailing organizational beliefs and culture. For example, St-Matthew's Centre's mission to help the underprivileged and marginalized on the Filmathèque's devotion to the "7^{th} art" became realities onto themselves, distinct and separate from the actors that instigated them in the first place. These however ended up nonetheless fraying at the edges because of the now slightly altered micro-practices and actions of these same and new actors. Although our findings do seem to provide support for the relevance of and need for taking context into consideration when studying and analyzing practices, they also draw attention to the ongoing challenge that reliably disentangling practices from the structures and institutional contexts in which they are embedded poses to researchers.

A practice perspective of permanent failure therefore holds in these two complementary and reciprocal views. The action view of permanent failure focuses on the way stakeholders renew, nurture and maintain permanent failure through their routine and frequently unintentional practices which act paradoxically against any intentional strategic action taken address the problem. The contextual view of permanent failure highlights the embeddedness of these unintentional practices which taken together are reflected in the specific form that deterioration ends up taking, which can vary widely from case to case. Although these views belong to different levels of reality, the influence of one is permeated by the other. As both discourse and action, the micro and macro levels of permanent failure are domains even less distinct than the two sides of the same coin–one implies the other and cannot exist without it. Thus the relation between these two views, between action and context, is essential to an informed understanding of permanent failure from a practice perspective.

MANAGERIAL IMPLICATIONS AND AVENUES FOR FUTURE RESEARCH

One's initial hunch when reading the above is that once established, a situation of permanent failure or entrenched inertia is almost impossible to dislodge. It would then seem that the only way practitioners might tackle the monster is to close down the organization, disband its internal and external stakeholders, and start anew. However, an intimate understanding of the various practices that underscore permanent failure does offer some insight into what might be done to help organizations get out of the rut they find themselves in.

Thus, if one were to make suggestions as to what might be done to break the "vicious circle" of permanent failure, a first would be to get the organization to arrive at some recognition and admission, particularly by internal stakeholders, that all play a role and bear responsibility, most likely unintentionally, for nurturing and maintaining permanent failure. On this basis, it becomes possible to put in place specific initiatives aimed at countering the ill effects of those internal stakeholder practices which are driving the organization towards a situation of permanent failure. Such initiatives might include internal public relations and marketing efforts aimed at changing beliefs and perceptions of organizational actors (breaking down existing ideologies), better and pro-active methods to ensure accountability of actions (and thus discourage inconsistency between what is said and what is done), improved information flows, and open and frank discussions (and eventual agreement) on what the organizations' priorities and values are, and should be. Although such initiatives (and the list is far from exhaustive) may appear too small and simplistic to effect change, it is our general contention that small, systematic and sustained efforts have better potential to yield results than more radical approaches, which are more likely to provoke resistance, and lead to actions that exacerbate rather than remedy the situation at hand.

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The findings from this study open up as well, in our view, a number of avenues for ongoing and future research on the dynamics underscoring permanent failure in organizations. Most obvious is the need to investigate additional, and more diverse, examples of "permanently-failing organizations" in order to determine on the one hand whether the observations made here hold across additional cases, but also to augment, on the other hand, our proposed repertoire of seven practices which we feel are at the root of permanent-failure, and which contribute to its ongoing production and reproduction over time. We feel, for example, that "out there" there are probably many more variations to the basic practices we proposed than we were able to outline. A greater repertoire of practices and variations there of should help further clarify the specific dynamics that make it such that "inefficient" organizations do not necessarily die, as population ecology (Hannan & Freeman, 1977) or standard economic theory posit.

Second, an investigation of permanent failure from the perspective of conflicting institutional logics might prove a fruitful way to further investigate how disagreement over management priorities in these organizations occurs and unfolds over time. The work of Thornton and Ocasio (1999) which examined the shift from editorial to market focus in the education publishing industry, or that of Glynn and Lounsbury (2005) which examined a how aesthetic and market logics were blended in critics reviews' of a symphony orchestra's performances following a significant exogenous shock, are cases in point. Indeed, in the cases observed, disagreement over management priorities seemed to stem from deeply ingrained and differing beliefs over what needed to be given priority in the organization, generally over economic concerns. Thus, for St-Mathew's Center and XP Chemicals it was communitarian values, for the Filmathèque, aesthetic values, and for IS Clothing, domestic values, which "competed" in each case against economic imperatives and/or expectations.

And third, permanently-failing organizations might provide a particularly rich context in which to study the role and impact of emotions in organizational decision-making. All four organizations kept on going because no individual stakeholder whether internal or external, and for a multitude of reasons, had the courage, the desire or the capacity (because of exit barriers, external pressures, emotional reasons, etc.) to "pull the plug" on the organization. Such hesitation was often maintained by the hope or belief that things would (or had to) improve eventually. It is therefore important, in our view, to not underestimate the role played by emotions and hope in the maintenance of permanent failure.

CONCLUSION

The purpose of the present study was to pick up on Meyer and Zucker's suggestions for needed research on the phenomenon of permanent-failure at the *micro* level (Meyer & Zucker, 1989, pp. 152-153). By means of four very different case studies of what we deemed were permanently failing organizations, our goal was to provide an in-depth exploration of how stakeholders, *on a daily basis*, participated in the production and reproduction of chronic failure. Our investigation effectively confirmed our central assumption that sustained underperformance was not the outcome of deliberate or intentional actions on the part of organizational actors but that is was rather the unintended result of a myriad of practices (seven of which were described here in some detail) from actors both inside and outside the organization. It is these practices that sustained the ongoing tension between organizational (desired) performance and inertia, which in turn drove performance downward and eventually shaped what one might call the "vicious circle" of permanent failure.

Three out of the four organizations studied continue to exist to this day. Their respective situations of "permanent failure" have been enduring, in some cases lasting over twenty years. Despite their precarious financial situations or their persistent inability to achieve their stated goals, none of the three remaining organizations are on the verge of closure, even though many have come quite close to being on more than one occasion over the course of their tumultuous histories. In all likelihood these organizations will continue to maintain, through their own idiosyncratic repertoire of practices, a certain kind of organizational status quo, stuck somewhere between inertia and performance, a relative no-man's land that will probably sustain itself until the next crisis. For how long? It is impossible to say. The term "permanently-failing" coined by Meyer and Zucker is somewhat misleading as it suggests that organizational failure as described here might carry on indefinitely, which of course is impossible. However, our study does suggest that such situations can carry on for quite an extended period of time and for much, much longer than what conventional economic or population ecology would predict. As such, chronically underperforming yet resistant organizations provide, in our view, a particularly rich and fertile empirical ground from which to investigate how organizations really "are" as opposed to what they "should be," an avenue that may prove fruitful not only for our understanding of these organizations in particular, but also for the strategic management field in general (Johnson, Melin & Whittington, 2003).

Permanently-failing are far more prevalent than what many economists and organizational theorists dare admit. Some may argue that this is so because Smith's invisible hand is not left alone to do its work. In a truly liberal economy, they say, such anomalies would not exist. But the reality of organizations, in particular as they exist and function on a day to day basis is far different and much more complex than what standard economic theory often leads us to believe. Organizations are kept alive for myriad reasons: ideological reasons, political reasons, and sentimental reasons and also quite often, because of a belief that the alternative (closure) is a far worse outcome than chronic underperformance. But unlike Meyer and Zucker, we do not think that this is so because certain organizational actors find organizational maintenance preferable or acceptable over organizational performance under certain circumstances. Rather we feel that this is so simply because organizational actors hope, however long the shots may be and however long it may take, that things will eventually change for the better.

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