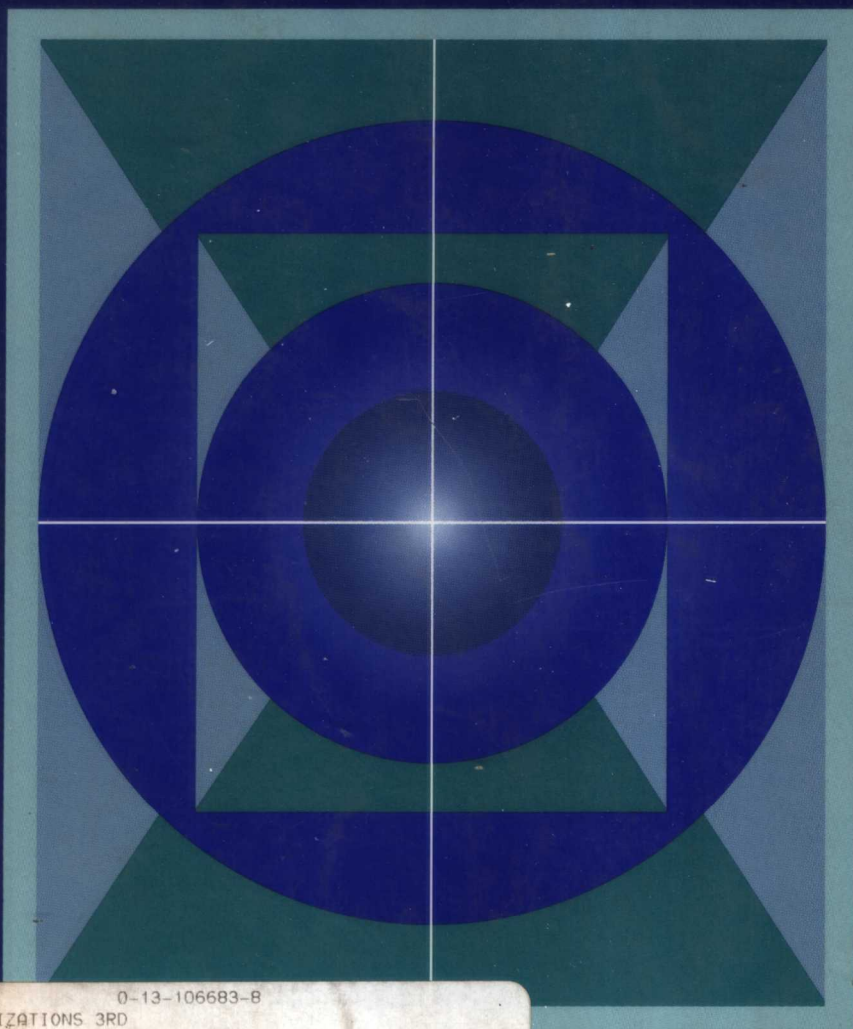


ORGANIZATIONS

Rational, Natural, and Open Systems

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ORGANIZATIONS

Rational, Natural, and Open Systems

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Preface

Like the previous editions, this book attempts to provide a coherent introduction to the sociological study of organizations. Since a number of introductory treatments of organizations now exist, it may be useful to indicate how my approach differs from that of others. I would characterize this book as embodying four distinctive pairs of features:

1a. Since the study of organizations is one of the most vigorous areas in the social sciences, a large number of competing theories and approaches have been proposed. I describe and compare a great many of these; but, at the same time,

1b. rather than simply reflecting this diversity—which borders on cacophony—I attempt to render it coherent by proposing that the many theories can be subsumed within a few more generic theoretical perspectives that are comprehensible and more readily compared.

2a. The study of organizations is increasingly an interdisciplinary activity with important contributions being made by anthropologists, economists, political scientists, psychologists, and sociologists. While I am open to and try to incorporate these varying contributions,

2b. I give paramount attention to the work of sociologists, and the theoretical framework I employ is primarily sociological.

3a. Emphasis is placed on contemporary theory and research, on current debates and controversies. At the same time,

3b. I have tried to be mindful of earlier contributions and concerns: of the ideas and insights of our forebears. As an institutional theorist, I strive to be sensitive to the ways in which past work shapes present interests and aware of the extent to which earlier ideas persist and coexist alongside more recent conceptions and interests.

4a. Like most contemporary students of organizations, I emphasize the salience of the organization's relation to its wider context, its environment. However, more so than other analysts,

4b. I stress the interdependence of external connections and internal structure, the ways in which the environment is not simply external to but interpenetrates the actors and other constituent units of the organization.

These themes pervaded the first and second editions, and remain prominent in the present volume.

So, what's new? This third edition is prompted both by changes in organizations and by changes in our ideas about organizations. Among the important types of changes in the "real world" of organizations that I discuss are the effects on organizational structure of the new information technologies—technologies that appear to differ in significant ways from earlier generations of tools. Another important change in the ways in which organizations function is their recent tendency to "downsize," to divest, to "outsource" activities or functions. Yet another development that has received much attention is the use by organizations of "network" or alliance forms which allows groups of independent organizations to act in concert with respect to one or more objectives. All of these developments are of interest because they challenge current models about how organizations work. Each requires that we revisit and revise our theories about how organizations respond to complex technologies and environments.

I also incorporate new theoretical developments: changes in our ideas about organizations. Such changes span the spectrum from rational to natural theories. At the "rational" end, for example, I describe the emergence of agency theory and discuss its application to organizations. At the opposite end of the continuum, I attempt to discuss some of the emergent (and illusive) ideas associated with postmodernism as they apply to organizations; and I review some of the critiques of organizations by feminist theorists. I also venture to rethink the complex relation between individual actors and social structure, employing Giddens' work on agency and structure.

In making use of these more general social theories, this edition continues to amplify and elaborate the connections between organizational studies and other areas of social science. I take it as a sign of the increasing maturation of our field that organizational theorists make more and more use of broader social theory—for example, cognitive theory, cultural theory, agency theory—applying general ideas to organizational issues. Equally important, organizational ideas increasingly are employed by other social

scientists to assist them to better understand their own topics: by students of stratification to understand social mobility, status attainment, and labor market processes; by political theorists to understand the structure of the state, policy processes, and social movements; and by economists to better comprehend why new industries emerge or how technical or structural innovations diffuse.

In the first two editions, I acknowledged some of my many intellectual debts: to former teachers at the University of Kansas and the University of Chicago; and to colleagues and students at Stanford University. As time passes, the list grows ever longer so that it is not practical to include all of those to whom I owe thanks.

A few stand out as particularly helpful and highly valued: my mentor at Chicago, Peter M. Blau, and my closest colleagues at Stanford: James N. Baron, James G. March, John W. Meyer, Jeffrey Pfeffer, and Robert I. Sutton. Two other Stanford colleagues, Susan Kreiger and Joanne Martin, have been instrumental in stimulating my interest in feminist and post-modernist ideas. Colleagues at other institutions who have been generous with their time and insights include Nicole Woolsey Biggart, Craig Calhoun, Paul Dimaggio, Robert I. Kahn, Edward O. Laumann, Walter W. Powell, Marshall W. Meyer, Charles Perrow, Andrew Van de Ven, Karl E. Weick, Eleanor Westney, Oliver Williamson, Mayer Zald, and Lynne G. Zucker.

Among my most thoughtful and tolerant teachers are my recent former/current students, including: Jeffrey Alexander, Victoria Alexander, Elaine V. Backman, Andrew Creighton, Karen Bradley, Gerald F. Davis, Frank Dobbin, Lauren Edelman, Brian Mittman, Sue Monahan, Stephen J. Mezas, Andrew E. Newman, Amy Elizabeth Roussel, Jitendra V. Singh, Mark Suchman, David Strang, Patricia Thornton, Azumi Takata, Sharon Takeda, and Marc Ventresca.

In recent years both the study of organizations and my own network of colleagues have become increasingly international. Among these overseas associates, I have particularly benefitted from contacts with Tom R. Burns, Nils Brunsson, Søren Christensen, Lars Engwall, David Hickson, Helge Larsen, Cornelius Lammers, Renate Mayntz, Weifang Min, Johan Olsen, Olov Olson, and Risto Tainio.

My wife, Joy, continues to humor me in my writing habits and keeps me from taking myself or my work too seriously. More important, she coaxes me to go outdoors now and then to see the stars and smell the flowers.

Our children, Jennifer, Elliot, and Sydney, are no longer children and no longer reside with us, and so the stereo set is quiet when I work at home. Still, since they are never far from our thoughts, this revised edition is again dedicated to them.

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AN INTRODUCTION TO ORGANIZATIONS

Organizations play a leading role in our modern world. Their presence affects—some would insist that the proper term is *infects*—virtually every sector of contemporary social life. Peter Drucker thus observes, “Young people today will have to learn organizations the way their forefathers learned farming.” Chapter 1 endeavors to amplify and justify this advice by examining both the practical and theoretical benefits to be gained from a better understanding of organizations.

Part One pursues the two major themes of *commonality* and *diversity*. Organizations share certain features, which serve to differentiate them from other social forms. Students of this field believe that we can understand much about a specific organization from knowing about other organizations. Understanding how a factory functions can illuminate the workings of a hospital; and knowledge of a governmental bureau can help us understand the workings of a union.

Diversity appears in many guises. While organizations may possess common, generic characteristics, they exhibit staggering variety—in size, in structure, and in operating processes. Just as organizations vary, so do those who study them. Students of organizations bring to their task varying interests, tools, and intellectual preconceptions. Of particular importance are differences in the level of analysis employed and in the theoretical perspectives utilized.

Three influential perspectives are introduced in Chapter 1 as competing definitions of organizations. Part Two is devoted to an intensive examination of these perspectives, which have shaped and continue to govern our understanding of organizations.

The Subject Is Organizations

The recurrent problem in sociology is to conceive of corporate organization, and to study it, in ways that do not anthropomorphize it and do not reduce it to the behavior of individuals or of human aggregates.

Guy E. Swanson (1976)

The philosopher Alfred North Whitehead once suggested that, properly organized, education should proceed through three stages. In the first stage, *that of romance*, the student's interest is aroused; he or she is brought face to face with the object of study in all its power and mystery. If the subject is mechanical engineering, for example, the student could be taken to see a steam locomotive or a steel mill in operation. In the second stage, labeled *discipline*, the student acquires the concepts and methods required to analyze the subject and its parts and processes. And in the third stage, that of *fruition*, the methods and concepts are applied to the subject so that its structure and functioning may be understood and, perhaps, improved (Whitehead, 1929).

Our subject is organizations. We do not need to plan a field trip for students to observe this phenomenon in action: organizations are all around us. Because of their ubiquity, however, they fade into the background, and we need to be reminded of their impact. This chapter begins with a discussion of the practical and theoretical importance of organizations: We attempt to arouse your interest so that an intellectual courtship can begin. We also begin the task of developing concepts for analyzing organizations; this work will continue throughout the volume. We do not intend to post-

pone the phase of fruition until the final chapters but will attempt early and often to demonstrate how the use of the concepts and methods can improve our understanding of the structure and functioning of organizations and, in some cases, contribute to their betterment.

THE IMPORTANCE OF ORGANIZATIONS

There is no need to belabor the assertion that ours is an organizational society—that organizations are a prominent, if not the dominant, characteristic of modern societies. Organizations were present in older civilizations—Chinese, Greek, Indian—but only in modern industrialized societies do we find large numbers of organizations engaged in performing many highly diverse tasks. To the ancient organizational assignments of soldiering, public administration, and tax collection have been added such varied tasks as discovery (research organizations), child and adult socialization (schools and universities), resocialization (mental hospitals and prisons), production and distribution of goods (industrial firms, wholesale and retail establishments), provision of services (organizations dispensing assistance ranging from laundry and shoe repair to medical care and investment counseling), protection of personal and financial security (police departments, insurance firms, banking and trust companies), preservation of culture (museums, art galleries, universities, libraries), communication (radio and television studios, telephone companies, the post office), and recreation (bowling alleys, pool halls, the National Park Service, professional football teams). Even such a partial listing testifies to the truth of Parsons's statement that "the development of organizations is the principal mechanism by which, in a highly differentiated society, it is possible to 'get things done,' to achieve goals beyond the reach of the individual" (1960:41).

Even though organizations are now ubiquitous, their development has been sufficiently gradual and uncontroversial that they have emerged during the past few centuries almost unnoticed. The spread of public bureaucracies into every sector and the displacement of the family business by the corporation "constitutes a revolution" in social structure, but one little remarked until recently.

Never much agitated, never even much resisted, a revolution for which no flags were raised, it transformed our lives during those very decades in which, unmindful of what was happening, Americans and Europeans debated instead such issues as socialism, populism, free silver, clericalism, chartism, and colonialism. It now stands as a monument to discrepancy between what men think they are designing and the world they are in fact building. (Lindblom, 1977: 95)

The prevalence of organizations in every arena of social life is one indicator of their importance. Another, rather different index of their significance is the increasing frequency with which organizations are singled out as the source of many of the ills besetting contemporary society. Thus, writing in 1956, C. Wright Mills pointed with alarm to the emergence of a "power elite" whose members occupied the top positions in three over-

lapping organizational hierarchies: the state bureaucracy, the military, and the larger corporations. At about the same time, Ralf Dahrendorf (1959 trans.) in Germany was engaged in revising and updating Marxist doctrine by insisting that the basis of the class structure was no longer the ownership of the means of production but the occupancy of positions that allowed the wielding of organizational authority. Such views, which remain controversial, focus on the effects of organizations on societal stratification systems, taking account of the changing bases of power and prestige occasioned by the growth in number and size of organizations.

A related criticism concerns the seemingly inexorable growth in public-sector organizations. The two great German sociologists Max Weber (1968 trans.) and Robert Michels (1949 trans.) were among the first to insist that a central political issue confronting all modern societies was the increasing dominance by the public bureaucracy of the ostensible political leaders.

Other criticisms point to the negative consequences of the growth of organizations in virtually *every* area of social existence. Borrowing from and enlarging on a theme pervading the thought of Weber, these critics decry the rationalization of modern life—in Weber's phrase, the "disenchantment of the world" (1946 trans.:51). The essence of this view is graphically captured by Norman Mailer: "Civilization extracts its thousand fees from the best nights of man, but none so cruel as the replacement of the good fairy by the expert, the demon by the rational crisis, and the witch by the neurotic female" (1968:83). Organizations are viewed as the primary vehicle by which, systematically, the areas of our lives are rationalized—planned, articulated, scientized, made more efficient and orderly, and managed by "experts." (See, for example, Mannheim, 1950 trans.; Ellul, 1964 trans.; Goodman, 1968; and Galbraith, 1967.) The dark side of such progress is depicted by Roszak, who defines the technocracy as "that social form in which an industrial society reaches the peak of its organizational integration." He writes:

Under the technocracy we become the most scientific of societies; yet, like Kafka's K., men throughout the 'developed world' become more and more the bewildered dependents of inaccessible castles wherein inscrutable technicians conjure with their fate. (Roszak, 1969: 5, 13)

A new generation of feminist critics reminds us that it is not just "men" who are trapped in organizational cages. Like Roszak, Glennon (1979) decries the growth of technocracy, but on the feminist grounds that it feeds the "dualism of private-expressive and public-instrumental selves and worlds" and engenders a bureaucratic rationality that extends instrumental and administrative orientations into everyday—including private—life. Ferguson is even more direct in her criticism:

The organizational forms and discourse of bureaucratic capitalism institutionalize modes of domination that recreate the very patterns of oppression that feminism arose to combat (1984: 203).

These critics thus add their voices to others who have called attention to the ways in which organizational structures damage the personalities

and psyches of their participants. Alienation, overconformity, and stunting of normal personality development are among the consequences attributed, not to such special cases as prisons and concentration camps, but to everyday, garden-variety organizations (see Argyris, 1957; Maslow, 1954; Whyte, 1956).

We attempt to evaluate such criticisms of organizations at appropriate points throughout this volume. Here we simply note that these negative views towards organizations provide further testimony to their importance in the modern world.

In addition to their being mechanisms for accomplishing a great variety of objectives and, perhaps as a necessary consequence, the source of many of our current difficulties, organizations have yet another important effect on our collective lives. This effect is more subtle and less widely recognized, but it may be quite profound in its implications. It is, perhaps best introduced by an analogy: "The medium is the message." This twentieth-century aphorism was coined by Marshall McLuhan to focus attention on the characteristics of the mass media themselves—print, radio, movies, television—in contrast with the content transmitted by these media. McLuhan defines media very broadly as "any extension of ourselves"; elaborating his thesis, he notes, "The message of any medium is the change in scale or pace or pattern that it introduces into human affairs" (1964: 23, 24).

McLuhan's thesis appears to be more clearly applicable to our subject—organizations—than to any specific media of communication. First, like media, organizations represent extensions of ourselves. Organizations can achieve goals that are quite beyond the reach of any individual—from building skyscrapers and dams to putting a person on the moon. But to focus on what organizations *do* may conceal from us the more basic and far-reaching effects that occur because organizations are the *mechanisms*—the media—by which those goals are pursued. A few examples may suggest some of these unanticipated organizational effects:

- In his crucial decision on how to react to the installation of Russian missiles in Cuba, President Kennedy had to select from among a naval blockade, a "surgical" air strike, and a massive land invasion, not because these were the only conceivable responses, but because these were the principal organizational routines that had been worked out by the Pentagon (see Allison, 1971).
- Although we seek "health" when we visit the clinic or the hospital, what we get is "medical care." Clients are encouraged to view these outputs as synonymous although there may be no relation between them. In some cases, the relation can even be negative; more care can result in poorer health (see Illich, 1976).
- Organizations may exert only weak effects on the activities of their participants, but still exert influence in situations because they embody and exemplify purposeful and responsible action. They depict rationality, enabling providers to offer a rational account of how resources were used and policies pursued (see Meyer and Rowan, 1977).

To suggest that our organizational tools shape the products and services they produce in unanticipated ways and, in some cases, substitute "accounts" for outcomes indicates the quite substantial impact that organizations have on individual activity. However, even this expanded view does not reveal the full significance of these forms.

We will fail to perceive the importance of organizations for our lives if we view them only as contexts—as arrangements influencing the activities of individual actors. Organizations must also be viewed as actors in their own right, as corporate persons, to use Coleman's phrase (1974). They can take actions, utilize resources, enter into contracts, and own property. Coleman describes how these rights have gradually developed since the Middle Ages to the point where now it is accurate to speak of two kinds of persons—*natural* persons (such as you and me) and *corporate* or *juristic* persons (such as the Red Cross and General Motors). The social structure of the modern society can no longer be described accurately as consisting only of relations among natural persons; our understanding must be stretched to include as well those relations between natural and corporate persons, and between corporate and corporate persons.¹ In short, we must come to "the recognition that the society has changed over the past few centuries in the very structural elements of which it is composed" (Coleman, 1974: 13).

To this point, we have assembled a variety of evidence and arguments to support the case that organizations merit attention. All of these claims relate to their social significance: their ubiquity, their impact on power and status, their effects on personality and performance. A different kind of rationale for justifying the study of organizations points to their sociological significance: the contribution their study can make to our understanding of the social world.

George Homans points to the value for social science of studying organizations when he asserts:

The fact is that the organization of the large formal enterprises, governmental or private, in modern society is modeled on, is a rationalization of, tendencies that exist in all human groups. (Homans, 1950:186–87)

To say that organizations exhibit "tendencies that exist in all human groups" is to suggest that organizations provide the setting for a wide variety of

¹These developments were associated with and facilitated by changes in legal codes, as described in Chapter 7. Lawyers' practice also reflect the distinction in an interesting way, as described by Heinz and Laumann. They point out that much of the variation in current legal practice is accounted for by:

one fundamental distinction—the distinction between lawyers who represent large organizations (corporations, labor unions, or government) and those who represent individuals. The two kinds of law practice are the two hemispheres of the profession. Most lawyers reside exclusively in one hemisphere or the other and seldom, if ever, cross over the equator (Heinz and Laumann, 1982: 379).

It is perhaps unnecessary to add that lawyers who represent corporate rather than natural persons are the more powerful, prosperous, and prestigious segment.