1 Organization Theory: The Classical Constructions

The concept of organization took on clearer contours only in the second half of the nineteenth century. In the Middle Ages there had been no need for a special concept for what we now call organizations. It would have lacked substance: the stratification of family households and corporations provided for social order, which for the rest was subject to a multiplicity of legal arrangements. Only in the nineteenth century did it become usual to conceptualize the organization as a social formation distinct from other social orders (e.g., communities or social classes). Then the term “organization” found its way into normal, everyday and scientific usage to describe a special type of object. Already frequent in the eighteenth century, it originally referred to the order of organic life as opposed to artifacts and mechanisms. Jean Paul had still regarded the term organization with reference to non-organic matters as a metaphor, but himself wrote about the organization of texts in the sense of actively ordering production. Perhaps the transition to an active, activity-related usage of the term generalized the concept. At any rate, the concept of organization, originally offered the possibility of referring to both an activity and its effect without addressing this difference.

Because the eighteenth century tended to replace hierarchical distinctions by the distinction between “inside” and “outside,” in the semantic field of organization we already find the distinction between internal and external relations. This enabled the disorganization concept to be introduced – separately from any hierarchical architecture of the world and with reference to the internal defects of an organism. At about the same time, biology and demography adopted a new concept relating to the individual: “population,” which deprived the old genus/species schema of much of its significance and prepared the way for the evolution theory of the nineteenth century. In explaining internal organization, however, the whole/parts schema persisted, and thus the assumption of a harmony tuned to this schema, almost in the old sense of ordinata concordia. The distinction
between means and ends could be used, treating the compounding into a whole as the end and the combination of parts as the means. This allowed Kant to introduce fuzzy concepts like “interaction” [Wechselwirkung] between parts and the idea that the whole was its own end.\footnote{This prepared the conceptual isolation of organized entities in themselves and gave substance to the distinction between inside and outside.} This marked the conceptual isolation of organized entities in themselves and gave substance to the distinction between inside and outside.

After these first ventures and the quite positive complexion lent to the concept, the nineteenth century came to use organization above all in the theory of society. Modern, post-revolutionary society was in search of a form for itself – partly in distinction to the aristocratic societies of the European tradition, partly in conceptual defense against the unrest generated by the French Revolution. What was at stake was reconstruction on a new basis with promise for the future. Saint-Simon announced his program as follows: “The philosophy of the last century was revolutionary, that of the nineteenth century must be organizational,”\footnote{and August Comte was to endow the same thought with characteristics like scientificity, positivity, and sociology. Despite the deliberate quest for historical distance and new, reliable objectives, the conceptual elements of attributing parts to a functioning whole were retained. However, the organization concept now exuded strong positive qualities such as “social” and “solidarity” that had a good chance of calling attention to the inadequacy of mere organization; of becoming desiderata, indeed oppositional concepts. It was demanded, as we would now say, that an enterprise ought to keep the social interests of its employees in mind – as if working together was not yet in itself social. While retaining its original characteristics, the organization concept when applied to society now bifurcated. It marked an inadequacy, a dissatisfaction with the typical features of modern society, together with such concepts as commodity, market, exchange, finally money. In 1887, Tönnies’s “Community and Society” [Gemeinschaft und Gesellschaft] appeared; it enjoyed little success with its unusual conceptualty, but the dualization it introduced captured and long influenced the spirit of the times. Parsons’s “pattern variables” still followed this model.} and August Comte was to endow the same thought with characteristics like scientificity, positivity, and sociology. Despite the deliberate quest for historical distance and new, reliable objectives, the conceptual elements of attributing parts to a functioning whole were retained. However, the organization concept now exuded strong positive qualities such as “social” and “solidarity” that had a good chance of calling attention to the inadequacy of mere organization; of becoming desiderata, indeed oppositional concepts. It was demanded, as we would now say, that an enterprise ought to keep the social interests of its employees in mind – as if working together was not yet in itself social. While retaining its original characteristics, the organization concept when applied to society now bifurcated. It marked an inadequacy, a dissatisfaction with the typical features of modern society, together with such concepts as commodity, market, exchange, finally money. In 1887, Tönnies’s “Community and Society” [Gemeinschaft und Gesellschaft] appeared; it enjoyed little success with its unusual conceptualty, but the dualization it introduced captured and long influenced the spirit of the times. Parsons’s “pattern variables” still followed this model.\footnote{The first distinction that produced the modern concept of organization was accordingly the distinction between order and organization, both referring to societal phenomena. This was the basis on which general theories of organization were still elaborated in the first decades of the twentieth century, which, however, no longer addressed the societal problems that preoccupy sociology, restricting themselves to special issues of good work organization or the very formal analysis of relations. “Organization,” like “management,” was now a term that allowed knowledge to be withdrawn from the direct work process and autonomized as institutional and supervisory knowledge. Organizational}
knowledge and the knowledge of scientific management now claimed to be more than the sum of the working knowledge needed to take action.

Publications by individual authors were primarily involved, who, few in number and widely scattered internationally, could not underpin a discipline grounded in research. Only Taylor’s microscopic theory of work organization attracted greater attention, but from the 1920s onward met with increasing opposition from anthropologists and sociologists. Whereas concern about jobs has since muted this “humanistic” critique, the temporal contingency of Taylorism has become more apparent: its dependence on mass markets for standardized products that changed little in the long term. This limitation has changed owing, above all, to the introduction of microelectronics in the production process.

Organizational theories at this level of abstraction have found no successor in the present day. Why is this so? They clearly offer obsolete models, models no longer pursued. On the one hand, faith in the possibility of organizing rationally (in the sense of optimally) on the basis of principle has been lost – both in managerial business theories and in sociological organization research. On the other hand, abundant empirical organization research and lively business consulting – efforts that constantly launch new slogans on the market – generate a complexity that can no longer be dealt with by the old forms of theory. What is more, it no longer suffices, as in older organization theories, to consider only a few types of organization, notably the factory and the public authority. Symphony orchestras, newspaper offices, banks, political parties, sport and recreation clubs, schools, hospitals, and prisons also have to be taken into consideration. How is alcoholism therapy organized? Or libraries? Or container transport, which has drastically changed the organization of ports and shipping? Or waste disposal involving the modern functions of sorting and recycling? If this diversity is to be amenable to a general theory of organized social systems at all, the conceptual tools discussed so far will no longer suffice to produce it. Thinking in wholes and parts has had its day without being replaced by a theory of complex systems. The question is whether this must remain so, or whether quite different theoretical approaches may allow us nevertheless to elaborate a general theory of organization.

II

Since the Second World War, organization research has reached such proportions that no adequate account of trends, results, authors, and publications can be given. We must leave it to the textbooks to report on theory; they often do little else. Our approach is to present distinctions that have played a role in research. When a distinction has exhausted its usefulness, it is replaced by
another. This occurs when literature uncovers problems or phenomena that had not been sufficiently taken into account and that require a change of frame.

Our coverage of theory will ignore research that pursues a normative line in quest of rationality, which seeks to establish how certain results can be most effectively achieved with the greatest certainty or at minimal cost, limiting ourselves to approaches that are explicitly or implicitly formulated on the basis of the causality concept. Our theoretical and methodological ambition is to coordinate the distinction between cause and effect with other distinctions, for example, that between means and ends or between command and obedience, or between group formation and motivation. In this sense we are concerned with a sociology intent on explanation and, where possible, prediction; or which is also intent on providing technical, advisory aid for organizational planning. Research in business administration or developments in the theory of the firm are also relevant, but their exploitation in sociology has to this day been hampered by barriers between subjects and disciplines, not to mention the sheer volume of the literature. The way is now paved primarily by analysis of relations between structures and decisions. We will be returning to this.

From the older literature, organizational sociology has taken over, above all, the distinction between command and obedience familiar from the sociology of power, as well as the rationality-related distinction between means and ends. Authority can accordingly be rational if it uses commands in such a way that its ends can be attained through obedience. This is not only the old European myth of order, reaching even into theology, but certainly, after the transition from created nature to value relations and the need for legitimation, also Max Weber’s bureaucracy model. According to Weber, the historical condition for this is that workers lose their ownership of the means of production and are paid in money. As a result, they come under the pressure of imposed work discipline, and the master (whether a holder of political power or the owner of the plant) can rely on the efficacy of his commands. However, such practice in governance and administration is rational only if it can manage without the enormous cost of communicating instructions individually, and can draw up general rules that subordinates can apply to the concrete state of affairs by logical deduction or in typical cases through appropriate interpretation. The model on which this theory draws is legally elaborated public administration. But according to Weber, “bureaucracy” with its formal rationality has imposed itself throughout the world in modern society; for not only political power but also property is a possible basis for power.

The success of this bureaucracy model is best explained historically. It opposes arbitrariness at all levels of order, concentrating it at the apex, which is assumed to be disciplined by its own value relations and by environmental conditions – in the economy by the market and in public administration...
by politics governed by the rule of law. Bureaucracy also means that large working units can be formed in which many people can work together at the same time and in coordination. And, above all, this allows the order of rank established by society to be replaced by the principle of equality. In both external and internal relations, bureaucracy proceeds on the assumption of equality – unless the organization itself draws a distinction. All this, in reality as in theoretical modeling, takes account of the immense complexity of modern society – in a form that we could describe in systems theoretical terms as outdifferentiation [Ausdifferenzierung] within society, as outdifferentiation of an autonomous but nevertheless steerable system, adaptable to societal interests, amenable to coordination, “controllable.”

There are innumerable objections to the European, if not “Prussian,” model of bureaucracy. As far as economic enterprises are concerned, in particular, it is claimed not to do justice to in-house super- and subordination relations. It is asserted that it does not work outside Europe and is not a suitable standard for modernizing developing countries. The result is, not least, that collusion between internal and external forces is difficult to discover and difficult to prevent, and can be stamped as corruption only where the law has clearly been broken. The organization, also and particularly in government and municipal administration, connects up at lower levels via negotiations with systems of the environment in order to generate the necessary cooperation.

In economics, the experience that the market offers possibilities for observation but no clear directives on decision-making has produced a theory of organization (often also called hierarchy). This is partly because corporate organization manages with lower transaction costs, partly because the market does not yet determine the decisions of economic participants (the latter point raising the question of how market participants make decisions). This paradigmatic shift clarifies the need for organization but not its internal structures and processes.

Finally, the problem of work motivation has also long been discussed. The more latitude there is for decision-making, the more important motivation becomes to ensure efficiency in the workplace. Barnard’s highly regarded management theory had, as regards motivation, postulated a “zone of indifference” within which personnel do not care what they do as long as they are acknowledged to be fulfilling the conditions of their membership. This may well also be true today. But it raises the question of whether such indifference is not harmful to the enterprise, especially if dismissal is difficult due to labor
market conditions or for legal reasons. Moreover, recent research on Swedish welfare bureaucracies shows an inverse relationship between rationalization, democratization, and motivation. If plans and rules are made by means of complex rationalization and consensus-finding processes, this so exhausts the organization that, should obstacles or unforeseen difficulties arise, members are unlikely to continue working actively on implementing the solution found. After all, they had failed to garner acceptance for what they themselves considered to be right.

Another proposal that could have been pursued comes from psychiatry, and (for that reason?) was long ignored by organization theory. Only more recent organizational consulting methods have used ideas from this source, stemming from systems therapy and especially family therapy. The basic thought is that every communication that conveys commands and, in so doing, distributes information (even if only information about authority, motives, and good will as the reason for the command) tends to generate paradoxes or, as one now says in semiotics and linguistic text theory, to deconstruct itself. As information, the world is described as it is or should be; and the right to make this description and the expectation that it will be accepted is also communicated. At the same time, however, the fact that this is communicated means that things could be otherwise. Unity and difference, indication and distinction are synthesized in communication. But the fact that this (and not something else) happens produces the opposite of what was intended. This naturally does not mean that nothing more can happen, because every determination is paradoxical and is immediately deconstructed. However, therapists ask what normally prevents the deconstruction and disintegration of communication and motivation, and what in exceptional cases nevertheless unblocks deconstruction, opens Pandora’s box, and puts paradoxization into effect. We will be considering this subject at a late stage under the heading of “uncertainty absorption.”

All this criticism is now a conspicuous component of every theory in organizational science. But it should not distract attention from the fact that hierarchy, in the sense of chains of command, is indispensable in constructing complex organizations. Vertical integration is still the most important way of handling uncertainty, that is to say, the future. “Alternatives to hierarchies” are hardly to be found. On the other hand, we should avoid using the term hierarchy as more or less synonymous with organization. At any rate, the consequences of hierarchizing social relations have to be registered, and this cannot be done in the form of in-house cost accounting, indeed not at all in the form of “costs.” Sociological analysis is needed. It has therefore been clear for some time that the characteristics of Weber’s bureaucracy do not necessarily have to do with the criteria of rationality elaborated independently of them. All this obliges us to abandon the notion that organizations are hierarchies. Max Weber himself had diluted such statements of essence under the influence
of Neo-Kantian theories of knowledge into statements on “ideal types.” This was to concede that reality did not necessarily need to correspond to type – for instance, such formulations as “in greater or lesser approximation to the pure type.” In this manner, however, what is important, namely the difference between type and (diverging) reality, could not be reflected. A different, both more abstract and more complex organization theory is clearly needed.

III

Another key distinction was not a divergence from Max Weber’s bureaucracy model but the result of social science experimentation with Taylorist work organization. The breakthrough in the scientific literature came when the irritating results of the “Hawthorne” experiments became known. The experiments had not been planned as a test of the theory later imputed to them; but they contradicted expectations about the links between working conditions, incentive systems, and performance, so that an explanation had to be sought. The concept of group, which had become fashionable in social psychology, appeared to offer a solution, and the result was formulated in terms of the distinction between formal and informal organization.

A structural conflict between individual motives and organizational purposes was presupposed, and it was assumed that the motives of individuals could be better accommodated in groups than in the formal organization. The formal/informal distinction treats the formal organization as given. One can think in terms of a hierarchy of authority to which members of the organization are subject. The problem with implementing this order is seen on the other side of the distinction, in informal organization. This side of the distinction is therefore marked (in linguistic terminology), because there is something to be done there. For the informal organization can support the goals of the formal organization or run counter to them; it can encourage members to perform or to hold back performance – depending on what the group holds to be right and imposes on the individual. It can adapt organizational changes to local conditions or oppose and forestall them. The question fits the possibilities of empirical social research: it is about the measurable effects of different conditions. Corporate management could accordingly be expected to take a favorable interest in such research. However, the Hawthorne experiments had already shown that the intervening variable “group” makes the formulation of rules governing dependence on conditions and consequences more difficult if not impossible. Using Heinz von Foerster’s terminology, we could say that the group is a nontrivial, historical machine that does not operate in accordance with fixed rules (which is precisely what formal organization is supposed to ensure) but is guided by the state in which it happens to be at a given time.
What is gained is therefore a mode of observation and not fixed knowledge–a mode of observation that pays attention to local social conditions of individual behavior and does not prematurely classify behavior in the usual terms of conforming or deviating. Many studies show the beneficial effect deviant behavior can have on work, but also especially in connection with risk technologies—the danger of noncompliance with rules even if this normally goes well.

The dubious nature of the findings deprived the formal/informal distinction of much of its former importance. The reaction was to extend the understanding of structures to allow the close interaction between formal and informal organization to be addressed. Since the 1960s, organizational sociology has again tended to prefer the concept of formal organization to enable a return to the distinction between formal and informal within this framework. This is not least because the concept of group has remained fuzzy in the context of organizations with respect to membership, boundaries, fluctuations, and tolerance for internal differentiation. But it is striking that the concept of group dynamics has retained its importance in organizational consulting, now going by the name “organizational development.” Emerging originally as a practical consequence of the human relations approach, it is now more concerned with the autonomization of functional areas from excessive hierarchical control. This indicates that a socially more sensitive mode of observation is involved, which escapes schematization by formal organization and the management’s operational understanding. Advanced consulting concepts also tend to combine organizational development with systems theory and to set their sights on developing the capability of the organization for self-observation and diagnosis. The interest in “informal organization,” by contrast, appears to have shifted from groups that management regards as helpful or disruptive to individuals, who, depending on the organization of their work and their individual inclinations, develop greater or lesser interest in elaborated, “helpful” social contacts. Where the formal/informal distinction is still used today, interest has shifted to the question of whether and how formal organization (= bureaucracy) is able to control informal organization.

If the formal/informal distinction no longer divides theories or research preferences, the question can finally be addressed of how organizations themselves deal with this distinction. Research will then investigate when and by what criteria formal or informal communication is chosen. Network analysis could be a good starting point for examining such questions. For the network concept is not defined from the outset in terms of formal organization but rather in terms of a sort of trust grounded in recognizable interests and repeated proof. To demand or initiate formal communication is a way of avoiding tests of trust and gaining greater certainty—not infrequently to the detriment of the network,
which is thus treated as superfluous. Vice versa, the choice of informal communication, and the explicit avoidance of formalization (without waiving its possibility), is a move by which the choice between formal and informal can be left open and reproduced. Whereas the official description of the organization will tend to regard the formal structure of responsibilities and official channels as the condition for informal communication also being an option, network analysis might show that informal communication predominates, reserving the ceremonial of formal communication only, as it were, for emergencies and borderline cases. On this point, the official self-description of the system diverges from what anyone working in an organization has to learn.

There are, meanwhile, many indications that the concept of informal organization, along with the group concept, are being replaced by a theory of interaction systems. This draws on ideas developed by Erving Goffmann, and reformulates them with recourse to the general theory of social systems. The advantage is that analysis does not need to answer the question of whether and to what extent groups actually form in organizations. This means that the concept of group, not very amenable to theoretical development, can be replaced by a theory of face-to-face interaction. The problem is then that systems of a different type develop within organizational systems, more or less usurping influence on decision-making.

IV

When rationality was at issue, classical organization theory focused on another distinction, that between means and ends. This goes back to a concept of the rationality of action, and hence to the presupposition that someone imagines being able to attain certain ends by certain means. The classical concept assumed that an organization was managed through actions, and that the apex of the hierarchy identified themselves with the purposes of the organization and imposed them through the exercise of authority, whereas the means envisaged tended to autonomize or even to escape organizational control. In this sense, a package was put together that presupposed the concordance of a multiplicity of distinctions or treated this concordance as a problem of control, namely whole and part, top and bottom, ends and means. The organization could then be understood as a goal-directed system, and the subordination of persons/roles/positions as the means to an end. But a closer analysis of these various distinctions very soon put paid to such assumptions of harmony.

The distinction between ends and means was limited on both sides by presupposed value judgments (hence by a worth/worthless distinction). It was thus not simply a matter of the causality of effects. Ends are evaluated ends, and, even as means, only ends that do not “cost” much can be considered. It is therefore not difficult to describe the unity of the distinction, namely as
a positive (if possible maximal or optimal) return on the relationship between means and ends. What values (= preferences) are to realized can be left open. We can, hence, describe the schema in abstraction from all concrete value judgments provided that they are within the scope of what can be causally realized. Programs for the maximization of spiritual welfare, too, have at times been considered a possible object for organization.\textsuperscript{45} There must, of course, be some preferences or other if the system is to operate selectively; but preferences are introduced into the model as external factors, as independent variables.

However, closer analysis and the empirical examination of the demands this schema makes of information processing in organizations brought difficulties to light, indeed inevitable renunciations. Economic enterprises, above all, which have to fix the prices of their products, discovered that (in the absence of “perfect competition”) the market does not simply dictate prices. They have to be set in the organization. But how? In more general terms, the environment of organizations does not absorb enough contingency, so that the organization cannot content itself with working out the one and only right decision. Without sufficient knowledge and curtailed information processing, it has to decide for itself. The organization is not subject to the authority of an environment whose will has to be carried out. Both in the economy and in politics it is a turbulent, opaque field in which the organization has to establish its own basis for making decisions. And how good these decisions are will depend, by whatever criteria, on the structures of the system.

The ends/means schema or, to put it more abstractly, the general medium of possible causalities and possible evaluations therefore provides no more than a framework for necessary restrictions, which still have to be decided within the organization. Max Weber, above all, used this schema – firstly to “interpretatively explain” action and, secondly, to limit it through hierarchical rule and command boundedness to a general, ideal type of bureaucracy (however, in Weber it is not clear that the infinite horizons of this schema render such limitation possible and necessary). It was only after the Second World War and especially in the United States that this was to become a guiding principle for specific organizational studies detached from societal theory.\textsuperscript{46}

However, what one had assumed to be the inner rationality of the ends/means schema dissolves on closer examination. It is increasingly seen only as a symbol of rationality. A now only symbolic use of the schema nurtures suspicions that it is no more than an ideology in the unchecked pursuit of interests under the guise of a rationality beneficial to society.

Such suspicions cannot be dissipated by distinguishing, with Max Weber, between types of rationality (instrumental rationality [Zweckrationalität], value rationality [Wertrationalität]), nor, with Jürgen Habermas, by favoring a particular type of rationality, namely understanding-oriented rationality.