

1 Introduction

The purpose of this Element is to examine how organization theory began and became institutionalized as a scholarly discipline. The proliferation of large-scale organizations was a characteristic of modern nineteenth- and twentieth-century society (Weber, 1922, 1947; Boulding, 1953; Presthus, 1962; Etzioni, 1964). The Industrial Revolution led to mass production demanding larger and larger workforces, causing mass migration from the country and from agricultural production to industrial production; the factory arrived. With the introduction of public healthcare, the spread of education, movement through railways and automobiles, service organizations appeared and the role of government increased. Throughout the industrializing world, legal frameworks regulating the corporate form (i.e. legal personality, limited liability, transferable shares) emerged. Within the social sciences, notions of ‘the organizational society’ developed as large-scale, complex organizations emerged in every sector of society. As Parsons (1960: 41) put it, ‘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.’ Initially, the study of social organizations was embedded in and intertwined with the study of developments in society at large. The rise of and subsequent ubiquity of organizations led to the desire and need to understand and manage them as distinct social formations. In fact, ‘understanding’ and ‘managing’ are the two streams that produced modern organization theory.

Our aims in the Element are threefold: first, we trace the European and North American origins of the study of organizations located in understanding organizations per se, and managing those organizations. Second, we outline how these two strands came together in the 1950s and 1960s not only through translations of Max Weber’s work on bureaucracy but also through the application of open systems theory to organizations. Third, we suggest that knowing where we have come from and the kinds of issues that inspired organization theory can inform our current topics and debates. Early theorists and those who later systematized the study of organizations were confronted with massive changes in society and the kinds of organizations that were delivering goods and services; we argue that this is not much different from the situation organization theorists are facing today. Knowing how our predecessors approached similar issues is not only informative but may inspire a similar productive engagement with organizations.

Discussing the origins of organization theory requires identifying starting points and endings. There are two main starting points – the sociology of

organizations and classical management theory. The former is rooted in ‘understanding’ how the new phenomenon of organizations that penetrated every aspect of society arose and continued to develop and how it impacted society. The latter is rooted in ‘managing’: dealing with issues of operating these organizations efficiently and effectively.

Initially, the primary location for understanding organizations through sociology was in Europe and drew on the wide-ranging work of the German sociologist Max Weber (1864–1920). His ideas about the increasing rationalization of society, systems of authority and in particular the rational-legal authority system and its instantiation in the organizational form of bureaucracy dominated the discussion. Weber’s work was complemented by that of Karl Marx (1818–1883) and Robert Michels (1876–1936), who examined the impact of the bureaucratic form of organization on the power structures of modern societies through ideas of class and elites. Their work has largely shaped the way we think about organizations. Other important sociologists at the time, such as, for example, Georg Simmel (1858–1918), Ferdinand Tönnies (1855–1936) and Emile Durkheim (1858–1917) added influential insights, some of which – like communities, institutions or valuation – have recently seen a revival of scholarly attention.

The term ‘bureaucracy’ originated in eighteenth-century France and was associated with a common idea of over-regulation and inefficiency in the state (Albrow, 1970). But it was in nineteenth-century Germany that it became associated with the idea of a particular type of administration as well as with a class of bureaucrats. Weber came from this tradition and systematized the idea. His analysis was particularly generative and dominant in the sociological study of organizations leading to an early concentration on the study of bureaucracy (Gouldner, 1954a; Bendix, 1960; Crozier, 1964; Mouzelis, 1967; Mayntz, 1968; Perrow, 1972). Weber’s work became part of the North American sociological tradition in the 1950s after the translation of *The Theory of Social and Economic Organization* by Parsons and Henderson in 1947 and *From Max Weber: Essays in Sociology* by Gerth and Mills in 1946. The two strands in this sociological work were, first, elaborating the elements and characteristics of the new organizational form, bureaucracy, that drove and was driven by the increasing rationalization of society (Gerth and Mills, 1946; Weber, 1947) and, second, the impact of such organizations on the elite and class structure of society (Michels, 1911, 1949; Burnham, 1941). We take a broader, more European view of Weber’s work than has been the case in much of North American sociology of organizations and organization theory, paying attention to other organizational forms in his work and their place in Weber’s analysis of rationalization processes in society.

The second main starting point was a concern with ‘managing’ organizations. This stream of work became known, retrospectively, as ‘classical management theory’. The rise of large-scale organizations posed questions about ensuring that they operated efficiently and effectively. Writers in this genre tended to come from a managerial background and put forward analyses based on their personal insights and experiences (cf. Fayol, 1916, 1949; Follett, 1918, 1924; Urwick, 1944; Taylor, 1947; Barnard, 1948). This was a particularly North American phenomenon spearheaded by Frederick Winslow Taylor (1856–1915), Mary Parker Follett (1868–1933) and Chester Barnard (1886–1961). The emphasis was on issues of planning and strategy, control and coordination of organizational activities. In addition, there were early academics whose emphasis was on the human element in complex organizations (Mayo, 1933; Drucker, 1946). From the Australian Elton Mayo (1880–1949) originated the human relations movement, which morphed into organizational behavior as a scholarly discipline. Vienna-born Peter Drucker (1909–2005) inspired, among many other innovative ideas, an emphasis on management by objectives. A very influential European who contributed to classical management theory was the Frenchman Henri Fayol (1841–1925). While Fayol was working independently of his North American counterparts, he similarly emphasized issues of planning, control and coordination. His work became more widely known with the translation of his 1917 article, ‘Administration industrielle et générale’ in 1949 as *General and industrial administration*.

When, then, did organization theory emerge as a discipline in its own right? We identify our end point for this Element by the establishment of institutions that recognized, defined and promoted the discipline. In academia, such institutions are of three kinds: the existence of faculties, schools and departments within universities and colleges that have members working on organizational topics; scholarly associations that bring together these scholars; and the establishment of scholarly journals devoted to the emerging discipline.

The existence of business schools is an important marker for engagement with organizations and, eventually, the development of organization theory. Many business schools date back more than 100 years (e.g. the Wharton School, 1881; HEC Paris, 1881; WU Vienna, 1898; Copenhagen Business School, 1907; Harvard Business School, 1908; Kellogg School, 1908; Stockholm School of Economics, 1909), but the real explosion of business schools and, in particular, the study of organizations was a post-Second World War phenomenon. By the late 1960s and the early 1970s, business schools existed in great number, all with faculty members devoted to the study of organizations.

As a result of the increasing engagement with organizations, associations were formed to allow practitioners and scholars to come together and discuss the newly emerging field. In Germany, for example, the practitioner-oriented *Zeitschrift für Organisation (Journal for Organization)* appeared in 1898; the *Association for Organization (Gesellschaft für Organisation)* was founded in 1922. On the scholarly level, in the USA the Academy of Management was key to this development. It was formed in 1936 when 10 professors met in Chicago. By 1960, it had a membership of 387, and by 1970 there were more than 1200 members. A key development occurred in 1969 when the first Divisions and Interest Groups were set up, one of which was Organization and Management Theory. In the UK, Grigor McLelland set up the Society for the Advancement of Management Studies (SAMS) in 1963, signalling the emergence of management and organizations as an important area of study in that country. In Germany, the Academic Association for Business Research (VHB) was founded in 1921; a special section for research on organizations was established only in 1977. Overall, Europe was a little later than North America in forming associations of scholars focusing on the study of organizations. The European Group for Organizational Studies (EGOS) was born in 1973. From the start, EGOS had a rather decentralized structure and worked through a number of Autonomous Working Groups that dealt with specific issues within the study of organizations.

With the existence of scholars carrying out research on organizations and associations for promoting that work, journals emerged, three in particular. In North America, the Graduate School of Business and Public Administration at Cornell University published *Administrative Science Quarterly* beginning in 1957 with James D. Thompson as the editor. In his editorial statement, he said, ‘When we look back, in 1966, it may be obvious that administration was at a prescience stage in 1956. Yet if the name of this journal proves to have been premature, it was not lightly chosen. It expresses a belief in the possibility of developing an administrative science and a conviction that progress is being made and will continue’ (Thompson, 1957: 1). A year later, in 1958, the *Academy of Management Journal* appeared, although it was many years before it could be recognized as the journal we know today. The third journal was the *Journal of Management Studies*, founded in 1963 as one of the activities of SAMS. *Organization Studies*, the journal of EGOS, did not appear until 1980. Of course, journals have multiplied over the past decades. But by the late 1960s/early 1970s, there was a developed framework of scholars in business schools, scholarly associations and journals which together demonstrated the emergence and institutionalization of organization theory.

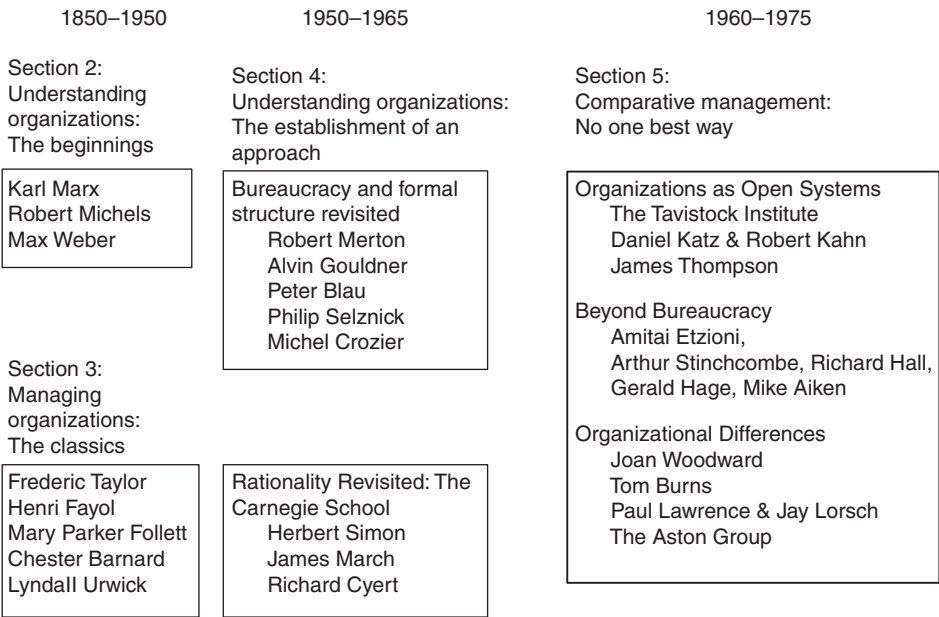


Figure 1 The Structure of the Element

However, there is another strand to this story. The sociology of organizations continued as an important and healthy tradition. Indeed, most of the work on bureaucracy was carried out in sociology departments. The classic North American discussions of bureaucracy (Selznick, 1943; Merton, 1952; Gouldner, 1954a; Blau, 1955, 1956) as well as European ones (Eisenstadt, 1958; Crozier, 1964; Mayntz, 1965) were led by sociologists. The focus of this sociological work was often less on individual organizations than on how society had given rise to organizations as forms of collective action and, recursively, the role formal organizations played in the development of society. With the increasing relevance of organizations for society as a whole and the acknowledgement that society had become not only an ‘organized society’ but also a ‘society of organizations’, the study of these new formations became an important area of scholarship.

Soon after the Academy of Management (AoM) had set up divisions, the American Sociological Association, in 1971, also recognized divisions, including one on Occupations and Organizations. In 1959, the International Sociological Association set up Research Committees, one of which covered Industry. In France, Michel Crozier founded the Centre de Sociologie des Organizations in the early 1960s. Even earlier, in 1955, the British Sociological Association began forming special groups, one of the first being Industrial Sociology, which, in Europe, was the main rubric for containing studies of organizations until the late 1970s or even early 1980s. The German Sociological Association, for example, formed a separate section for Organizational Sociology only in 2011.

All of this activity and structural differentiation point to the vibrancy of the study of organizations by sociologists, something that especially came from the importance of Weber as one of the three ‘founders’ of sociology (the other two being Karl Marx and Emile Durkheim). And indeed, it was initially in the study of bureaucracy that some interests of business school academics came together with those of sociologists.

What this institutional development particularly points to is that by the end of the 1960s, the study of organizations was relatively highly developed in both management and sociology. And, as we will see, for a brief moment the theory of bureaucracy and the study of management cohered around contingency theory and open systems theory. However, by the mid- to late 1970s, organization theory underwent what Donaldson (1995) called ‘paradigm proliferation’, with strategic choice theory (Child, 1972), population ecology (Hannan and Freeman, 1977), institutional theory (Meyer and Rowan, 1977), resource-dependence (Pfeffer and Salancik, 1978), the theory of the firm (Jensen and Meckling, 1976) and the micro-political approach

(Crozier and Friedberg, 1977/1980). Thus, starting points come to an end by 1970 with the existence of strong research and theory on organizations, professional associations and organizationally focused interest groups and journals where scholars could publish their research. Soon after this, a whole variety of new theories of organizations began to sprout. The coming of age of organization theory had happened.

Figure 1 provides an overview of the Element. Section 2 deals with the origins of organization theory from a sociological perspective, highlighting Marx, Michels and Weber and their concern with how the changing nature of organizations affected and was affected by society. Section 3 looks at the earliest works concerned with managing organizations, the work of practitioner-scholars. These writers were personally involved in managing these new organizational forms. Section 4 takes us forward to the classic studies of the dynamics of bureaucracy where the work of Weber, in particular, was put under scrutiny. At the same time, the idea of organizations as decision-making systems arose, in part, from critiques of the practitioner-scholars, exemplified in the work of the Carnegie School. Section 5 continues the story of systematization with organizations as open systems, the study of organizational differences and the emergence of contingency theory. We conclude in Section 6 by asking the question of ‘so what’ and suggesting how the history of organization theory should be informative for current issues.

2 Understanding Organizations: The Beginnings

The Industrial Revolution began in Britain in the second half of the eighteenth century and continued through the nineteenth century as it spread across Europe and into North America. The change was the move from an agrarian to an industrial society, from a craft and hand production system to the use of machines within factories to produce large quantities of any product. This transformation required new technologies and production methods (Landes, 1969). Of great importance was the rise of the factory system. Large numbers of people were now in one place, and division of labour, standardization of components and production methods as well as the centralization of decision-making were at the heart of this new way of organizing. The form of the modern manufacturing organization was emerging; by the middle of the nineteenth century, a legal framework for a limited liability company was established in most industrializing countries. Napoleon’s Code of Commerce (1806) was at the forefront and provided a template for other countries. In the UK, the Joint Stock Companies Act (1844) and the Limited Liability Act (1855) and in

Germany, the Prussian Corporation Act (1843) provided the legal basis to regulate the new corporate form. This allowed the establishment of the corporation as an organization and actor in its own right, enabling investors to come together to fund larger ventures.

The rise of modern industry brought about many fundamental social and political changes that triggered further organizational change. Apart from the emergence of manufacturing and large-scale factories, there was the development of coal mines, steel plants, trade unions, railways, mass education, higher education, governmental units at both national and local levels, hospitals and so on. All of the new institutions of industrial society produced their own types of organizations, which became ubiquitous throughout the nineteenth century and into the twentieth century. In the twentieth century came the development of more and more services, particularly those grounded in the professions such as accounting, law and healthcare.

We can see this 150-year process summarized in ideas of ‘the organizational society’, as large-scale, complex organizations became institutionalized in every sector of society. Such organizations were a major characteristic of nineteenth- and twentieth-century society (Marx, 1932, 1965; Weber, 1947; Boulding, 1953; Presthus, 1962; Etzioni, 1964). In the nineteenth and early twentieth centuries, it was sociologists and political scientists who were concerned with understanding the rise of the modern organization and its place in the development of industrial society. Our focus in this section is on Karl Marx, Robert Michels and Max Weber – each of whom was concerned with the ways in which society was transformed and the role that organizations played in that transformation.

Marx and the Rise of Organizations

Karl Marx (1818–1883) was not primarily concerned with organizations per se. His focus was on exploitation, the extraction of surplus value by the dominant class and changing power relations. Nonetheless, his theoretical framework – especially his analyses of capitalist society and its class basis and of the state and its bureaucratic organization – is highly relevant for the early development of organization theory (see Adler [2012] for a contemporary overview of Marx and organizations).

Marx’s political economy deals with the dialectic tensions between productive forces (e.g. skills, knowledge, technology, tools and techniques) and relations of production (e.g. ownership relations) and the particular modes of production that characterize societies and historical epochs. Productive forces and relations of production are not abstract concepts but are

represented by different social classes – in the capitalist economy these are the bourgeoisie and the proletariat. While productive forces are the motor of development, productive relations materialize the socio-economic structures; the internal contradictions and growing frictions between them give rise to social change.

For Marx, the issue was one of placing the role of organizations, generally, within the social and technological changes taking place in society and, in particular, the impact of these changes on productive processes, class structure and class conflict. As a result, his observations on the topic of organizations are scattered across several of his writings (Marx, 1852/1926; 1867/1959; 1932/1965; 1973). Central is the notion of the capitalist mode of production and the class structure of the bourgeoisie and the proletariat. A concise, short and exciting summary of Marx's thought is to be found in the *Manifesto of the Communist Party* (Marx and Engels, 1848/1955). In Chapter 1, Marx and Engels lay out epochs of history with dominant and subordinate classes culminating in the development and political advance of the bourgeoisie – 'the class of modern capitalists, owners of the means of social production and employers of wage labour' (Marx and Engels, 1955: 51). This dominant capitalist class arose from and was critical to the development of modern industry. Again, to quote Marx and Engels (1955: 54):

Modern industry has established the world market, for which the discovery of America paved the way. This market has given an immense development to commerce, to navigation, to communication by land. This development has, in its turn, reacted on the extension of industry and in proportion as industry, commerce, navigation, railways extended, in the same proportion the bourgeoisie developed, increased its capital, and pushed into the background every class handed down from the Middle Ages.

As Marx argues, the development of capitalism not only gave rise to the bourgeoisie but also produced the modern working class – the proletariat. Large-scale manufacturing and extensive use of machinery ushered in a division of labour in which the worker becomes an appendage of the machine. Work is divided into simple, repetitive tasks with a drive towards continuous lowering of the costs of production. At the heart of Marx's analysis is the idea of the exploitation of the working class by the dominant class of capitalists through the appropriation of the surplus value produced by workers. The development of the division of labour and hierarchy within organizations is an instrument of control by the ruling class to stabilize and maintain accumulation. Workers create surplus value, as the value of the goods (and

services) they produce is greater than the wages they are paid. Capitalists, in Marxian language, appropriate that surplus value. The proletariat become alienated and recognize their exploited position as a result of which, with the help of the vanguard of the working class, revolution takes place moving society to socialism, communism and the withering away of the state (Lenin, 1932). Historically, the Communist Party set itself up in countries such as Russia and China as the vanguard, best representing the interests of the proletariat.

Marx did not analyze organizations as such but focused on social relations of production as the primary source of class stratification and conflict. It is a person's location in the labour system that is critical for his or her class position, and it is tensions between classes that account for the major dynamics of a society. Consequently, it is primarily through the study of labour processes, exploitation and alienation, and the underlying power relations, that Marxist ideas have impacted organization research (cf. Braverman, 1974; Burawoy, 1979; Knights and Willmott, 1990). A dialectical view on organizations (cf. Benson, 1977; Clegg and Dunkerley, 1980) follows the Marxist tradition in focusing attention on how social arrangements bear within themselves the seeds of transformation due to the contradictions and ruptures they inhere (e.g. between forces of production and economic relations). Later, such work folded into critical management theory (Alvesson and Willmott, 1992).

However, Marx addressed organizations directly early in his oeuvre in his critique of Friedrich Hegel's view of the state (which was written in 1843 but not published until 1927). It was in this early work that he devoted attention to bureaucracy. Hegel had argued that the state and its bureaucratic organizational form were independent from the partisan interests of individuals and groups and were concerned with the common good. Marx, in contrast, sharply opposed this conception of state and bureaucracy as autonomous from the two classes, and he contrasted it with his own view of the state as representing the interests of the dominant class, the bourgeoisie, and of bureaucracy as its complaisant instrument. Accepting the idea that bureaucrats could become an autonomous class, with their own interests, would have undermined his analysis of conflict between a dominant and a subordinate class. Indeed, Milovan Djilas (1957) took up this theme as a result of his experiences in the governing Communist Party of Yugoslavia, suggesting that party organization produced a new class: the bureaucratic functionaries.

The importance of Marx to the development of organization theory is not really through his analysis of organizations but through the debates that arose from his work. Marx initiated three important areas of study for organization theory. The first concerns the relationship between societal institutions and