Organization Theory

Critical and Philosophical Engagements

CRITICAL MANAGEMENT STUDIES

Series Editor: Albert J. Mills

Praise for the Book

This is a thought provoking and imaginatively written book that explores in a critical fashion a wealth of organizational concepts and theories. Arguing for the need to re-read and re-think the classics, the book provides an illuminating history of organization theories, highlighting the intricate relationships between classical, modern and postmodern theories of organization. The author's sound scholarship and transparent style of writing make this ingenious book a top reader in organization studies.

— Professor Mihaela Kelemen, Keele Management School, Keele University, UK

In this fascinating new volume, Tuomo Peltonen not only provides comprehensive coverage of six key traditions that are core to understanding the origins of organization theory, he also sheds original light on the philosophical underpinnings of the subject. Taking the reader on a journey from classical to contemporary postmodern theory and all points in between, Peltonen arrives eloquently at some perceptive and far-reaching conclusions. In order to address the excesses of modernity, organization theorists need to rediscover the balance between metaphysics, empiricism and materialism in order to forge new ways of facilitating progressive organizational change. This book is a 'must read' for serious students of organization.

— Professor Peter Case, Bristol Business School, University of the West of England, UK

We need to update our understanding of organization theories, and Tuomo Peltonen delivers just that in this very useful and well-written book. The overview of classical, cultural modern, rational modern, interpretative, critical and postmodern approaches helps organizational scholars put things into perspective and to better understand the underlying onto-epistemological foundations of their and others' theorizing. As always, Peltonen combines intellectual insight with critical thinking in his unique and unapologetic style of writing. A very useful read for both people learning about organization theories and seasoned scholars working on these issues.

— Professor Eero Vaara, Aalto University School of Business, Finland

Tuomo Peltonen has produced a quite brilliant analysis of the history and evolution of organization theory. Rather than restrict the analysis to traditional issues of strategy and structure, this lucid and engaging book also tackles a range of more challenging perspectives – from interpretive and symbolic approaches, through critical and political paradigms, to recent work on postmodern and post-structural analysis. This is a thought-provoking and insightful book that academics, managers and students will enjoy.

– Professor John Hassard, Manchester University, UK

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By

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United Kingdom – North America – Japan
India – Malaysia – China

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INVESTOR IN PEOPLE

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Tuomo Peltonen
Helsinki, November 7, 2015

Foreword

Our second book in the new *Critical Management Studies* (CMS) series, *Organization Theory: Critical and Philosophical Engagements* is our first textbook. Revised from the original Finnish version, the book was shaped in relation to the now classical critical work of Burrell and Morgan – *Sociological Paradigms and Organizational Analysis*.

Using this paradigmatic approach as a starting point, Tuomo Peltonen adopts **sociological paradigms** as an epistemological framework around which he does a number of things. To begin with he locates **sociological paradigms** in (historical) context and its impact on the field of Organization Theory. In the process, Peltonen discusses how the work influenced the emergence and shape of *Critical Management Studies* as a distinct disciplinary field while somehow retaining its skeptical stance. It is a stance that Peltonen also embraces in using the idea of sociological paradigms as a point of departure, and something to react to, in discussing developments in the field of Organization Theory.

Underlying the focus on sociological paradigms, Peltonen's skeptical stance places him somewhere in the intersection of the amorphous critical scholarship of management (csm) and the seemingly more paradigmatically coalesced notion of *Critical Management Studies* (CMS). The former includes a multitude of scholars who take a critical stance toward the study of social and organizational life by examining theories and practices of managing and organizing for their impact on human beings. This includes those, such as feminists, environmentalists, etc., who prefer broader research descriptions rather more dedicated theoretical positions and who, like Peltonen himself, prefer to draw on different critical traditions in undertaking a particular research project. It also includes scholars who are more comfortable in identifying with a more specific theoretical position – such as Marxism for example. For various reasons, including coalition politics, epistemological strategies, identity work, institutional pressures, and the socio-politics of knowledge, many of these scholars have come to constitute the greater majority of those identifying themselves as CMS scholars.

This sets up various creative tensions within CMS scholarship between those who are more-or-less at ease with embracing the notion of a *Critical Management Studies* and those who remain skeptical about the exclusionary potential of any paradigmatic stance.

Peltonen draws on these intersections and creative tensions as part of an epistemological framework for helping readers make sense of the development of various theories of organization, of the constitution of Organization Theory as a disciplinary field, and the development of CMS itself. His critically skeptical stance also allows him to range far and wide beyond this focus to explain the development and implications of various approaches over time. In the process, he draws on his own theoretical areas of interest that include actor-network theory, postcolonial theory, neo-Marxism. The result is a thought provoking work that encourages us to think about the dynamics and socio-politics of theory development over time. As such it is an interesting read in itself for organizational scholars as well as a useful text for engaging students and helping them to grasp the mechanics of a range of alternative theories.

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CHAPTER

1 Introduction

1.1. Organizational Theories – General and Hybrid

Organization theory has evolved over the years into a diverse, robust field with multiple schools and approaches. It is interdisciplinary in the very meaning of the word – borrowing not only from sociology but also from anthropology, psychology, political science, engineering, and other domains and disciplines. The last three decades have witnessed an outpouring of novel perspectives that have challenged the previous status quo of envisioning organizations as dynamic systems featuring both technical-rational and socio-cultural aspects and operating within the opportunities and constraints afforded to them by their external environments (Burrell & Morgan, 1979; Clegg, Hardy, Lawrence, & Nord, 2006). This shift has to a large extent followed the transformations having taken place within general social science theorizing, especially in sociology. The earlier dominance of systems functionalism in organization theory has made way for such heterogeneous approaches as critical theory, ethnomethodology, hermeneutics, psychoanalysis, semiotics, and poststructuralism. At the same time, contemporary theorizing has moved to a more philosophical realm where various perspectives and schools of thought are contrasted and evaluated as to their epistemological, ontological, political, and even metaphysical assumptions and worldviews (Jones & ten Bos, 2007; Tsoukas & Chia, 2011; Tsoukas & Knudsen, 2003a, 2003b).

However, this paradigm shift has not been as complete or geographically comprehensive as the general description of the theoretical trends and topical discussions might implicate. Earlier systems

perspectives, although largely obsolete from the sociological debates within organization and management studies, are still prevalent in many corners of the wider scholarly area of business academia. Various management studies specialisms such as leadership, human resource management, or strategy, not to mention broader business studies areas like entrepreneurship, international business, or accounting, continue to draw upon the older paradigms as they develop the discourses and conceptual foundations for their disciplinary topics and issues (e.g., Augier & Sarasvathy, 2004; Augier & Teece, 2008). There is an apparent lag between the reception and elaboration of new theoretical ideas and influences in organization theory and their diffusion into the related business school disciplines that are typically more conservative in their attitude toward emerging new ways of thinking about organizing and organizations.

Another notable discrepancy in the adoption of newer perspectives is associated with the geographical differences toward the novel theories of organizations. Many of the approaches introduced in the past decades have come out as a result of work of European (or European-minded) scholars. Starting with the influential book *Sociological Paradigms and Organizational Analysis* by two British academics, Gibson Burrell and Gareth Morgan (1979), European scientific associations and publications have been at the vanguard of introducing new theoretical insights and questions into the study of organizing. North American communities and journals have, in contrast, been more hesitant in implementing a thoroughgoing scientific revolution in theoretical approaches informing the study of organizations. Again, when viewed from the position of the new approaches, many North American discussions seem to be lagging behind the European conversations.

Despite these differences, however, one can safely conclude that the field of organization theory is today considerably more diverse and varied than what it was in the 1970s. It is also more reflexive about the way in which organizational phenomena are being conceptualized, viewed, and understood in the practice of research. Some examples: The constant outflow of publications and dialogues mapping and critically scrutinizing the relevance of diverse theoretical approaches and schools of thought is a sign of the high caliber work that characterizes the contemporary organization theory scholarship (e.g., Hassard & Cox, 2013). Several successful textbooks can be counted as part of this evolving corpus of advanced theoretical conversation and reflection within organization and management studies (Hatch & Cunliffe, 2012; McAuley, Duberley, & Johnson, 2007; Morgan, 1997).

At the same time, as organization theory has entered 2010s, some of the original openness to the general discussions in social and human sciences that characterized the introduction of new

paradigms seems to have been lost. Organization and management studies are today increasingly preoccupied with "taking stock" of the many perspectives and theoretical understandings that have been accumulated during the last few decades. Instead of outlining radically different visions of organizations, organizing and organizational life, the field has turned its energy toward developing workable theoretical programs that could be used to inform empirical research on a number of organizational issues and topics. The tendency is to build sub-communities around a particular theoretical project and advance organizational theorizing within relatively insulated groups and arenas. The "general debate about general organization theory" and the associated dialogues, controversies, and confrontations about the nature of organizations and organizing have become less apparent that what it used to be in the intensive years of the 1980s and 1990s (Hassard & Wolfram Cox, 2013). Using the phrasing of March (1991), he being one of the leading figures in the field who has crossed paradigms and generational divides, *exploration* of novel insights and critical questioning has been replaced by *exploitation* of the existing theoretical and metatheoretical perspectives for more focused theoretical programs.

The nature of theory communities varies in terms of how deeply their leading assumptions and central concepts have been informed by general social theory paradigms. Some are more attuned to the substantial issues and phenomena under investigation while others are more explicitly built around a shared epistemological, ontological, or political commitment. Some take the form of emerging schools or discourses of inquiry while others are already mature programs that have taken a place in organization and management studies mainstream. Perhaps the most popular theoretical program of the sort in today's research debates is the institutional theory developed within North American organization studies community (Scott, 2001). With its roots in the classical organizational sociology (Selznick, 1948, 1949), the contemporary or "new" institutionalism has evolved into an influential stream of organizational study that has attracted a wealth of empirical research and conceptual work (Greenwood, Oliver, Suddaby, & Sahlin-Andersson, 2008). In terms of general theory, new institutionalism integrates classical social systems theory (Merton, 1940) with more recent cognitive, social constructionist and societal-structural approaches to organizational analysis and scholarly knowledge creation (Rowan, 2010; Scott, 1987, 2001). Yet this diversity of theoretical influences is rarely critically reflected upon. Several commentators have noted that institutional theory remains ambiguous in its relation to several social science theory traditions such as Weberian and Foucaultian accounts of modernization and rationalization (Hasselbladh & Kallinikos, 2000) or critical theory of Habermas and Bourdieau (Cooper,

Ezzamel, & Willmott, 2008). Palmer, Biggart, and Dick (2008) go as far as to suggest that a cynical observer might conclude that "the new institutionalism represents merely an umbrella for a diverse array of theory and research seeking a legitimate pedigree." Despite its dominant position in organization studies, when viewed from the perspective of general theories or social science traditions, institutional theory appears as a hybrid endeavor.

1.2. Critical Management Studies

The emergence of hybrid theory approaches is not reserved to the more mainstream approaches integrating the old and new images of organizations into attractive yet philosophically and conceptually ambivalent packages. The shaping of Critical Management Studies (CMS) during the last two decades as a distinct program, community and a theoretical meta-perspective is another example of the trend toward theoretical streams that integrate and fuse various social science traditions (Adler, Forbes, & Willmott, 2007; Alvesson, Bridgman, & Willmott, 2009). CMS project was based on the creative work of a group of scholars broadly sharing the value commitments of Marxist and neo-Marxist social theories and being interested in the application of critical traditions to the questions concerning work organizations, capitalism, and society (e.g., Alvesson, 1987; Braverman, 1974; Clegg & Dunkerley, 1980; Knights & Willmott, 1989; Mills, 1988).

In its original basis, CMS was influenced by two streams of neo-Marxist scholarship, namely Labor Process Theory (LPT) (Braverman, 1974) and Frankfurt School of Critical Theory (Adorno & Horkheimer, 1997; Habermas, 1972). These two distinguished traditions already represent a pair of closely linked yet slightly different interpretations of the philosophical and sociopolitical program of Marx (1887). While the root of LPT lies in the contribution of Braverman (1974) that was inspired by a revision of some of the Marx's original diagnosis updated to the age of monopoly capital of the advanced industrial nations of the late 10th century (Baran & Sweezy, 1966), Critical Theory emerged from a more philosophical re-framing and extension of Marx's visions of social structures and radical change (Held, 1980). Critical Theory offered an idealist variant of Marxist thought influenced by emerging streams such as phenomenology and psychoanalysis, in contrast to the more traditional materialist and structuralist view of LPT. To some extent, then, the two pillars of CMS already represented different epistemological positions. Yet as it developed and institutionalized, CMS absorbed new theoretical perspectives that cannot be counted to the actual Marxist canon. The poststructuralist

theory of Foucault, Derrida, and Lyotard featured heavily in the subsequent development of CMS conceptualizations of organization (Alvesson & Deetz, 1996; Knights & Willmott, 1989), as well as the contributions from pragmatist philosophy and sociology (Kelemen & Rumens, 2008). In all, the increasing extension of what theoretical traditions are used within CMS has led leading scholars in the program to admit in a review paper that, in its current form, "CMS is a catchall term signifying a heterogeneous body of work, a body that shares some common themes but is neither internally consistent nor sharply differentiable from more mainstream analysis" (Adler, Forbes, & Willmott, 2007, p. 154).

It is relevant to remember that CMS is motivated not only by an inherent interest in the philosophical issues related to critical paradigms of organization theory as such, but by a particular socio-political stance in relation to modern organizational structures and managerial mentalities. It aims to question the authority and relevance of mainstream thinking on management, approaching management as a social institution operating within the confines of the late modern capitalist formations. Thus, it gathers momentum as a movement by positioning itself opposite to conventional management theory and practice (Parker, 2002). This stance is illustrated in a number of issues that CMS has helped to raise about the systemic inequality, interest-partiality, and toxicity of the dominant ideologies and practices of management and organization in the contemporary society. This project is informed not only by excavations into the ontological and epistemological underpinnings of the mainstream organization theories, but also by an overall critical or leftist stance on the political ordering of the world of economy and work. This creative assemblage of philosophy, politics, and methodology oriented toward illuminating the negative aspects of the prevailing hegemony in management, and an associated action program aimed at reforming and overturning the dominant structures and cultures of organizations constitutes the assumed core identity of the CMS movement (Alvesson et al., 2009; Spicer, Alvesson, & Kärreman, 2009).

While the societal and scholarly ambitions of CMS are considerably bolder that those of other related theoretical programs such as institutional theory, CMS nevertheless shares a kind of compromised theory positioning that is characteristic of other less critical projects currently circulating within international organization and management studies. As Prasad, Prasad, Mills, and Helms Mills (2015) have recently argued, this prevailing definition of the legitimate space for CMS excludes other critically oriented work that goes on within organizational and social sciences (e.g., the diagnosis of the global divides within transnational flows; cf. Peltonen & Vaara, 2016). Theoretical schools of today tend to be organized around a set of

specific problems or questions that often emerge from more focused substantial or sectoral research activities rather than from general theoretical perspectives and novel philosophical insights. It may be that the contemporary academic and university policies favor the creation of organized research groups or networks tackling identifiable problems or issues in the world of organizations and work (Etzkowitz, 2003). Academic research in management sciences has exploded during the last decades, allowing different kinds of scholarly movements to carve a niche in the expanding market for scientific endeavors and scholarly outlets. This has been in part fostered by the growth of the business school institution worldwide. The expanding business school institution has attracted academics from other disciplines to move to the field of management studies, bringing their distinctive style of theorizing and researching into a realm previously dominated by classical economics and vocationally oriented education (Grey & Fournier, 2000; O'Connor, 2011).

These developments have not, however, always translated into a sustained vigor when it comes to debating general theoretical perspectives and philosophical commitments underpinning various theoretical movements. Each new group has created a space of its own, leading to the existence of a number of relatively self-contained programs that prefer to engage in theory dialogues within their own communities and publications arenas rather than set up a truly boundary-crossing exchange with other groups on matters of general theoretical interest. If one has to pinpoint a moment when this fragmentation and isolation got underway in a more systematic fashion, it could have been the notorious dialogue between Jeffrey Pfeffer and John Van Maanen in the mid-1990s. Pfeffer (1993) published his well-known attack on the paradigm plurality, followed by a critical reply from Van Maanen (1995), and a subsequent exchange of letters between the two. This confrontation between the two leading US figures of organization theory eventually led, it could be argued, to the further distancing between those who saw paradigm unity as essential to the success of organization and management studies and those who advocated a plurality of theoretical positions as well as a profound openness for exploring new philosophical and methodological avenues.

1.3. What Is Theory?

What is it that we mean when we talk about theory and theorizing? The concept theory has its roots in the Greek word "theoria." "Theoria" refers basically to a way of seeing or to a contemplative insight – the word "thea" means "a view" in Greek whereas a "theoros" refers to a spectator. In the original context of "theoria"

in ancient Greece, the idea of theoros and theoria were intimately connected to a practice where citizens of city-states made a pilgrimage to the sites of sacred wisdom and spiritual experiences in the form of attending specific religious festivals (Liedman, 2013; Nightingale, 2004). A theoros traveled to the festivals to attend the sacred spectacles and ritual ceremonies and, subsequently, to gain a novel type of vision of reality. The purpose of this pilgrimage was to alter the philosophical sensitivities of the theoros by offering an experience of transcending the norms and epistemologies prevailing in his or her city-state. The theoria or new sensitivity of understanding reality that was developed upon the return of a theoros from the journey was not just intellectual or empirical in character but involved a more thoroughgoing and holistic transformation of the human subject. It referred to a heightened vision of the fundamental aspects of reality that the Greek Platonic philosophy of the time understood as immutable, unchanging elements of reality called forms or ideas (Plato, 1993). Like Plato's metaphor of the cave and the sun, the journey of theoria involved attending a comprehension of the essential forms or ideas that lie beneath our empirically observable sense-reality. Theory, in this sense, was originally conceived of as the result of broadening one's consciousness or vision of the fundamental aspects of reality that normally remained hidden for the average citizen (Nightingale, 2004).

The idealist-Platonic conception of theory/theoria has become in recent centuries largely overshadowed by a competing understanding, stemming from modern empiricism and natural science discourse, which gives prevalence to generalized laws of causal connections within a set of operationalized variables. In this version, theory is seen to encompass abstract formulations of empirically testable hypotheses of interdependences between self-standing factors or variables. Unlike the metaphysical view of the Greek theoria, the empiricist-positivist approach to theory is firmly oriented to the systematization and generalization of empirically observable tendencies and patterns, eschewing the possibility of placing theory in the transcendental realm that frames and makes possible the meaningful ordering and grasping of the experiential sense-data emanating from an encounter of the knowing subject with the external reality.

The empiricist notion informs also the popular perception of theory of as abstract laws and models. This notion, goes hand in hand with the idea that high-flying, abstract "theory" stands directly opposed to "practice," itself concerned with the contingency, immediacy, and creativity of everyday life. This rather vulgar distinction nevertheless has a more substantiated history in the self-understanding of philosophy. Aristotle (Höffe, 2003) already distinguished between theoretical and practical spheres of intellectual activity, including politics and ethics into his realm of practical interrogations. Similarly,

Immanuel Kant (Kant & Guyer, 1998; Kant, Guyer, & Matthews, 2000; Kant & Pluhar, 2002) organized his famous critiques of reason into theoretical, practical, and aesthetic dimensions. Theoretical critique of pure reason concerned with the general questions related to epistemology, ontology, and metaphysics, while the area of practical philosophy concentrated on political and moral issues in the world of social activity.

Yet the Kantian division into theoretical and practical philosophy is not symmetrical in the sense that theoretical philosophy still provides the foundational notions of how to understand creation of knowledge, the relationship of the subject to the objects, and the critical questions related to the limits and possibilities of knowledge. Practical philosophy is considered as inferior to the general questions of theoretical philosophy, which in turn take their cue from the transcendental concerns emanating from the Greek legacy. In a more rigorous analysis, then, in the Kantian world practical thinking could not be thought of as being independent of the general presuppositions and the epistemological-ontological-metaphysical articulations done within theoretical philosophy.

A more radical break from the priority of theory over practice takes place in the 19th and early 20th century. The Platonist-Kantian tradition that emphasized the role of the human subject as the guarantor of intelligence and moral reason was challenged by more materialist and ontological views of reality. The first turn was of course the emergence of Marx into the intellectual scene. In Marxist thought, theoretical abstractions and idealizations are approached as bourgeois visions of reality that mask or hide the contested nature of social relations in the materialist dialectics of the capitalist societies (Lukács, 1971). Here, theoretical concepts are understood as ontological marks that characterize social existence and the underlying dialectics of the various class-based positions in the totality of the society. In other words, in Marxist thought, theoretical concepts and ideas are immanent to social relations and structures, to be approached not as transcendental truths, but merely as instruments used in the practical production and reproduction of the prevailing social relations of the capitalist society. The ontological view of social reality as a dialectical struggle between various classes takes prevalence over the Platonic-Kantian image of the human subject transcending his or her empirical conditions with the help of theoretical wisdom.

A related debunking of theory was accomplished in the appearance of schools of thought emphasizing the role of social practices in performing and grounding the forms of subjectivity and objectivity previously taken as the immutable starting points for theoretical contemplation (Sandberg & Tsoukas, 2011). Practice perspectives deny the possibility of ethereal reflection and speculation by

insisting that theories operate only as heuristic devices for sensitizing to the existential level of reality into which we are absorbed Heidegger (1996) points out that we are "always already" embedded into the practical reality as users of things for everyday purposes. There is no escape from this Dasein or "thrownness" to the more fundamental practical domain, and hence, no real chance to construct a pure theoretical subjectivity that would not be embedded into our historical and social situational existence. Wittgenstein (2010), on the other hand, is suspicious of the attempts of theoretical and analytical philosophy to craft an abstract logical language. Language use is inherently intertwined with issues at hand and with the ways of life of the immediate cultural community of the subject. Attempts to create theoretical languages are doomed to fail since they cannot emulate the context and pragmatic uses of language in the practical world of action. Finally, poststructuralists like Foucault (1977) and Derrida (1976) have delivered a mounting attack on the presumed stability and endurance of modern theoretical knowledge with their critical readings and analyses on the making of discursive closures in philosophy and human science. Theory becomes a way of thinking about irreducible practice constellations and networks of signification; theory itself being caught up in the very situations and processes it aims to study from its assumed elevated position.

The ancient practice of theory as metaphysical contemplation is seen in the modern thinking as a spiritual search for deeper truths more akin to theological aspirations than to serious social analytics. Heidegger calls the classical metaphysical tradition "onto-theological" (Thomson, 2000), thereby stressing its closeness to religious and theological inquiry. Indeed, in Greece, philosophy was almost undistinguishable from religious contemplation with its passion for uncovering the eternal forms and divine sources of order and intelligence. However, unlike in the later interpretations, Greek philosophy (the love of wisdom) was not merely about abstract, disembodied pondering of the transcendental universals. Instead, it was also a living practice that could not be dissociated from the way of life and from the particular spiritual exercises that accompanied the ancient philosophical aspirations (Foucault, 1997; Hadot, 1995; Nightingale, 2004).

The modern understanding of theory is radically different from the original notion of "theoria" in the broadly Platonic tradition of the classical Greek civilization. At the same time, the reading of the Platonic theoria in the modern post-metaphysical frame of Heidegger, Marx, and poststructuralists, ironically, misses the important practical dimensions of theoretical contemplation when it is understood as a spiritual practice recruiting the whole embodied person into an emotional and passionate encounter with the metaphysical wisdoms.

Greek theoria could be seen as a transformative process in which the person undergoes a transition or conversion that changes him or her and also potentially the culture of the political community, as depicted in Plato's (1993) cave analogy and its implications for institutional governance and virtuous social order (Nightingale, 2004). Anti-metaphysical views of theory read earlier traditions from the vantage point of their own perspective, leaving important concerns and dimensions often misrepresented or unacknowledged.

1.4. General Theory

The elaboration above is no doubt a rough sketch of the many ways in which theory can be understood and located. Yet already this brief tour demonstrates that it is difficult to try and identify a "theory of theory" that would avoid the differences between different worldviews and styles of thinking. Ideas about theory are themselves theoretically or philosophically colored, with each perspective approaching the questions related to theory (and practice) according to the presuppositions and concerns that motivate the particular school of thought or tradition. We must therefore define theory in a more basic fashion in order to avoid the a priori differences and antagonisms emanating from various interpretations and traditions, as well as in order to be able to prepare some degree of common ground for a review of the different approaches available in organization and social theory.

The first distinction concerns the difference between research theories and general theories (Noro, 2000; Tsoukas & Knudsen, 2003a, 2003b). Research theories are intermediary or middle range theories – concepts, descriptions, causal connections – that are developed in interaction with empirical analyses. Theories are tested in empirical designs, and, at the same time, new inductive findings give impetus for new types of theoretical ideas and descriptions. General theories, instead, do not have a direct contact to the world of empirical data and analysis. General theory formulates the foundational assumptions regarding ontology, epistemology, and nature of the "social" and the "human being." As von Wright (1975) has noted, assumptions are like a cylinder or container that holds the contents of some substance. The container gives the shape to the set of substance, but it cannot itself be evaluated in the same fashion as the substance or more broadly our knowledge of the world. Putting the container under examination would mean it had to be placed inside another container so that its shape could be studied. That which precedes and grounds our knowledge and thinking about truth cannot be validated or falsified as true or untrue because it constitutes the particular domain of truth and knowledge and

cannot be thus examined with some external criteria. Just as the light that provides visibility to a set of objects cannot turn the source of light to itself, general theories cannot be proved valid or false within their world of knowledge and truth as they are the conditions of possibility for any truth claims to have the potential to appear to our consciousness in the first place.

General theories are also called meta-theories because they operate at a meta-level compared to the more empirically embedded research theories. The concept of "meta" refers to that which comes after something, or goes beyond something. Meta-theory thus denotes theory that goes beyond regular theories and constitutes a higher level summarizing and clarifying abstraction about the regular theories. In a sense, it is a theory about theory that cannot be reduced to the assumptions and visions of the regular theories, but takes a relatively independent existence.

In social sciences, general theories are represented by what is called social theory and sometimes also by political theory. Social theory typically operates as a transition and translation point between philosophy and specialist disciplines and their research theories (Giddens, 1984). For example, phenomenological philosophy of Husserl influenced the social theory of Alfred Schutz (1967), which further contributed to the formation of interpretative organizational research first via the pioneering articulations of Silverman and Weick, and, later via the institutionalization of empirical research programs and scientific communities that practiced phenomenologically informed analyses of organizations and organizing.

However, the chain from philosophy down to empirical research is not unified or linear. Traditions and approaches are blended as general theories descend into mid-range and empirical realms. Schutz used Husserl's phenomenology to enrich and deepen Weber's theory of action, whereas Silverman, Weick, and other interpretative organization theorists visited also the work of Garfinkel, Goffman, Berger, Luckmann, and other phenomenologically oriented constructionist sociologist in their attempts to create a novel orientation for the field. Finally, empirical interpretative organization research typically employs an assemblage of qualitative strategies influenced by "neighboring" approaches like narrative semiotics, anthropological ethnography, and speech act theory.

Nevertheless, in many cases, a theoretical orientation shares a common philosophical root that unites seemingly disparate streams and theory developments. A group of theorists in a specialist area like organization studies typically has a common "father" (or "mother") that provides the guiding assumptions and exemplary ideas that ground the premises for approaching and thinking about social world in a distinct style. These roots are the critical resources to which theorists and scholars can turn to in order to legitimize

their theoretical orientations and choice of the particular social science worldview. Each general theoretical school has its own towering figures that support the claims for theoretical contributions and taking a distinct view of the social life, human action, and so on.

1.4.1. GENERAL THEORY AS TRADITIONS AND PARADIGMS

General theories are formed around traditions. Traditions are long-term programs typically following one or few thinkers. In Western philosophy, the two original traditions were those of Plato and Aristotle. While Plato laid foundations for a more transcendental and idealist tradition underscoring the central role of epistemological questions, Aristotle initiated a stream of thought concentrating on the ontological realm and its relation to explanation of phenomena in their multiple contingencies. Plato's influence carried, through Neo-Platonism and Renaissance humanism, to modern rationalism and idealism of Descartes, Kant, Hegel, and Husserl. Aristotle, in turn, was revived in the late Middle Ages by St Aquinas, and his influence extends all the way to the contemporary debates involving the implications of Heidegger and critical realist philosophy of science for general social and organizational theory.

Another broad set of traditions could be identified in the geographical variations of the modern philosophy and social theory. The British style of thought evolved into empiricist and liberal direction in the wake of the works of Locke and Hume, and traces of that tradition can be discerned for example in attempts to formulate a more actor-sensitive theory of social formations as attested by Giddens's (1984) structuration theory. In France, on the other hand, a rationalist tradition flourished after Descartes and Spinoza. German culture developed its own version of social philosophy that combined the influence of the Romantic Movement with a type of Protestant metaphysical foundation for viewing reality and morality as products of transcendental ideas and a priori intuitions, as crafted by Kant, Schilling, Hegel, and other German Idealists. Later, North American thought developed its own tradition that melted continental streams such as utilitarianism and idealism into a distinct pragmatic tradition, evident in the philosophical work of James and Dewey but also in the social theory of Parsons.

We can also talk of a distinctively critical tradition that cuts through the other dimensions of traditions. Critical philosophy and social theory is largely a product of enlightenment thinking and its attempt to define the limits of human reason and understanding following the decline in the earlier metaphysical onto-theological approaches. In its broadest sense, all modern philosophy is critical: Descartes, Locke, and Kant were all motivated to study the limits of pure reason inherited from the Platonic-Christian worldview.

Kant and Guyer (1998) introduced the concept of critique in his major works examining the limits of theoretical, political-social, and aesthetic reason. After Kant, Hegel (1977) revived the metaphysical tradition by postulating Absolute Spirit that was seen as guiding history and human consciousness into its teleological culmination point. German Idealism at large continued in a more speculative and romantic mode after the critical philosophy of Kant.

At this point, it is in the work of Marx that "critical theory" gets its more specific meaning. Marx's (1887) thought emerged from the post-Hegelian landscape that aimed to pursue new lines of thinking by revising and purifying Hegel's philosophy. Marx however made a more radical break with German Idealism by taking a materialist turn in his social thinking. Although he kept the historical dialectics of Hegel, Marx posited the dialectical dynamics into social-material elements and relations, viewing classes as the manifestation of the historical situation of modernity (Lukács, 1971). For Marx, it was the proletariat class that represented the fundamental Other needed for the history to evolve from a capitalist society to a more advanced socialist stage. This, famously, called for a revolution to overturn the existing antagonisms and contested social relations of the industrial society and its work organizations.

Marx has had an immense influence on the theory of social, economic, and political thinking, including organization theory, not to mention his role in the emergence of socialist and communist movements and regimes around the world. It is not easy to summarize his vast output and complex thinking on a range of theoretical and practical issues. Furthermore, his ideas have been carried forward by so many subsequent schools and his view of the social world and history has been used by various later scholars, often in a rather unorthodox or eclectic fashion, that the critical traditions today have rather limited sense of theoretical roots that unite all the neo-Marxist or critical streams in social theory. However, it could be argued that Marxist thought in its very general sense is organized around a set of issues and positions, which, when juxtaposed with alternative assumptions, views, and understandings, formulate a minimal basis for a community of tradition. A full list of the shared features of critical Marxist traditions is a mounting task. However, common features could be seen as including for instance a commitment to materialism (as opposed to idealism), to a firm historicity of social analyses and diagnoses (as opposed to metaphysical universalism and analytical philosophy abstractivism), to the presupposition that social reality is characterized by antagonistic relations in the material-economic domain (as opposed to the traditions seeking to explain and ground moral order), to the emphasis of practice over theory, to the understanding of work as a central feature of the human condition and self-realization (as opposed to idealist-theological views

focusing on transcendence), and to a vision of progress and social change (as opposed to the importance of tradition in the constitution of sociality). These and other commitments are still being manifested in a myriad of different ways within several highly creative theoretical programs and research streams across social sciences.

A contemporaneous stream of thinking sharing a broadly critical attitude toward the institutions of Western social and scientific rationality is postmodernism. Postmodernism, and in particular the French Poststructuralism of Foucault, Derrida, and others, has often been seen as depicting a type of family resemblance to the Marxist concerns over the irrationalities and limits of modern social order. Yet poststructuralist thought is not primarily motivated by the assumed lack of concern for the material antagonisms and contradictions in the capitalist society and its class-based relations, although these issues figure implicitly in the intellectual genealogy of the poststructuralist thinkers. Instead, Foucault, Derrida, and others are orienting their work against a Western metaphysical tradition that also Marx shares via the influence of Hegel and German Romanticism. Postmodern thought takes its inspiration from Saussure, Nietzsche, and Heidegger, all resolute enemies of the classical post-Platonic tradition that takes the subject as the fundamentally stable and uncontaminated source of human knowledge and morality. The phenomenological project of Husserl and his followers, for example, is an important tradition with which poststructuralists wrestle – borrowing in this encounter creatively from the structuralist view on the grammatical nature of language and cognition, and from the Nietzschean/Heideggerian commitment to the role of the primordial ontology in the constitution of the world/s containing the presence of the intentional subjects and the social objects.

Also, unlike Marxism and related theoretical programs like feminism, where sociopolitical activism and interventions into institutional and organizational practice are intimately intertwined with the more philosophical articulations, poststructuralism has tended to decouple theoretical insights from explicit politics. In this sense, postmodernism and poststructuralism have more affinities with Weberian social theory, where critical analysis of modernity and bureaucratic rationality is accompanied with a restricted vision of the avenues of and strategies for social change. Weber's iron cage of modern administrative and economic rationality is replaced in poststructuralism, one could argue, with the discursive closures of the modern scientific disciplines and with the illusions of the presence and centeredness of the subject in the prevailing philosophical-theoretical foundations of Western thinking.

Via Weber there leads a path back again to Kant and to the tradition of critical philosophy. Weber can be seen as a passage

point from Kant and German Idealist traditions not only to post-structuralism, but also to several other streams in social theory, such as structural functionalism of Parsons, phenomenological sociology of Schutz and Frankfurt School of Critical Theory. In organization theory, Weber is significant insofar as he opened the early study of administrative rationality and industrial bureaucracy as the dominant social form of modern organizations (e.g., Merton, 1940). Weber is a colossal figure in social theory, having made an enduring mark on the theory of modernity, understanding of political life, approaches to social behavior, human science methodology, and many other areas central for a unified social science. In this sense, he is comparable to Marx in the width and depth of his work and while it is not as common for a Weberian scholar to directly draw upon Marx, Marxist and critical theorists find it fruitful to instill insights from Weber into an extended critical theory of the social structure of modern institutions of capitalism. Yet whether one can really blend Marx and Weber without ending up corrupting one of the two traditions could be questioned. Traditions in general theory are typically organized around a set of common problems and exemplars that unite a community of scholars, a feature underlined by Kuhn in his interpretation of theories as paradigms.

1.4.2. PARADIGMS

Theories are living things, nurtured in cultural communities reminiscent of the typical properties of human social conduct. This view on the dynamics of theories was introduced by Thomas Kuhn (1962) in his classic *The Structure of Scientific Revolutions*. Kuhn argued that scientific theories operate most of the time as normalized cognitive groups, where certain problems and worldviews are habitually accepted by the members of that scholarly collective as the commonsensical foundations for scientific work. Within the stabilized paradigms, scholarly work is geared toward puzzle solving activities that take for granted the central problems and metaphysical assumptions grounding the more technical advances of the field. This stable cognitive context is at times shaken by scientific revolutions – sudden declines of the prevailing paradigms and the replacement of the dominant theoretical frame with a competing scheme. Science does not advance gradually as new observations and experiments improve the explanatory power of the existing approaches, but is more reminiscent of the religious conversion where the old worldview is abruptly replaced by new guiding beliefs.

Kuhn studied the paradigm shifts in natural science, but this has not stopped his views from being transferred to social sciences. The idea of paradigm shift gained popularity in sociology as the influence of the dominant structuralist-functionalist theory of Parsons

went into decline in the 1970s. The subsequent state of social theory resembled more a synchronic coexistence of multiple paradigms rather than the replacement of one normal science approach with a competing frame. Kuhn's understanding of sciences as first attaining the stage of organized normal science under the pioneering paradigm, and, later, as a series of revolutions each substituting one overarching paradigm with another did not seem to correspond to the dynamics of social theory, where a nascent paradigm was relatively quickly replaced with a number of synchronically simultaneous paradigms (Ritzer, 1975).

Kuhnian paradigm analysis was introduced to organization theory by Burrell and Morgan (1979). In their schemata, the mainstream or normal science of organizational theory has by its nature been objective and emphasizing the local balance of an organization. They refer to this as functionalism. Alternative approaches can be found in trends which primarily highlight the interpretative, subjective nature of an organization. This dimension highlights everyday interaction and action as processes constituting organizational reality in a fashion that diverges from the objectivity of the systems theory and related functionalist approaches. On the other hand, the authors view organizations as a contested terrain of societal powers, where the attention is turned to broader power hierarchies, particularly to the conflict between labor and capital. The conflict perspective is informed by Marxist thought. When we move from functionalism toward the subjective end of the spectrum, we first reach a paradigm that Burrell and Morgan referred to as interpretative approach. If an interpretative approach is applied to a perspective which emphasizes societal structures and tensions, the end result is radical humanism. However, if the researchers remain within an objective approach while drawing from a perspective that emphasizes antagonistic societal structures and contradictions of capitalism, the direction is toward a radical structuralist paradigm.

The main hypothesis of Burrell and Morgan (1979) was that organizational research has primarily been positioned in a functionalist compartment, and that alternative approaches have hardly been used in the analysis of management, business economics, and governance. Their four fields were based on the fact that alternative approaches were available on at least two dimensions: the objective-subjective dimension, which referred to the possibility to study organizations as locally construed and interpreted; and the consensus-conflict, which denoted a way to analyze organizations as arenas shaped by societal power structures. Even at the time of the publication of this book, the alternative three paradigms (interpretative, radical humanism, radical structuralist paradigm) were the objects of work mainly for other fields of social theory, most notably sociology, and management and organizational research did not

particularly use methods differing from system theory and functionalist reasoning.

Burrell and Morgan's paradigm typology has itself attained a paradigmatic status in the discussions about general theory of organizations and organizing. Their matrix has been elaborated and extended for example by Deetz (1996), Cunliffe (2010) and Hassard (1990; Hassard & Kelemen, 2002; Hassard & Cox, 2013), to a large extent motivated by the later developments in the reception of Continental, poststructuralist, and critical social theories within organization studies. A major difference to sociological appropriation of paradigms is that organization theory has not yet witnessed a wholesale desertion of positivist and functionalist approaches in the wider global domain of organization and management studies. While the general sociological debates in organization theory have undergone the linguistic, constructionist, critical, and postmodern turns – after which a return to the positivist-functionalist metatheory becomes extremely difficult without some painstaking intellectual and practical complications – in the broader management studies community, especially in North America, ideas about empiricism, atomism and utilitarian teleology still linger large in the journals and conference arenas. Some management studies sub-specialisms like strategic management (Faulkner & Campbell, 2003) have been relatively sluggish to engage in a rigorous discussion about the actual subject issue of their enterprise, typically declaring an ambiguous interest to foster "the management point of view." Many streams of inquiry within management and organization studies have also been reluctant to embrace the alternative exemplars celebrated in the new paradigms, instead drawing upon the classic contributions from the positivist and economistic-functionalist canon (e.g., Augier & Teece, 2009; Donaldson, 2001). An honest overview of the field is prone to come to the conclusion that organization and management studies continues to host a variety of noticeably different social theory paradigms.

1.4.3. TRADITIONS AS PARADIGMS

While the paradigm scheme has successfully taught numerous generations of organization and management studies scholars about the differences in the worldviews, epistemologies and social-evolutionary visions between structural functionalism, phenomenological-hermeneutical approaches and Marxism, it has nevertheless to some extent overshadowed the backgrounds of the deeper traditions informing the topical questions and challenges that characterize each social theoretical tradition. This is evident for example in the way Parsonian social theory is understood in the work of Burrell and Morgan (1979). They start the tracking of functionalist paradigm

from Spencer and remain within the sociological tradition throughout their treatment of this particular approach. Yet the functionalist project of Parsons, especially in the earlier stages, could be viewed from the background traditions he aimed to synthesize, namely economic utilitarianism and Durkheimian/Weberian idealism. In this interrogation, Parsons' project could be understood not much as an undertaking embedded in the idea of harmonious systems order as in the Kantian tradition of trying to ground practical reason in transcendental moral principles in a way that remains reflexive to the empirical contingencies of particular socioeconomic situations (Munch, 1981).

A related case is the way in which Elton Mayo is situated into organization theory. There is a widespread consensus that he was an advocate of an early functionalist approach leaning on Durkheim (Burrell & Morgan, 1979, pp. 138–139); moreover, his psychological views have been read as being testimony to a conservative stance in which the questions related to the power of the employee-management relations are reduced into problems of workers' adjustment to the prevailing order of modern industrial life (Bendix & Fisher, 1949; O'Connor, 1999a, 1999b). A closer study of Mayo's pre-US activities and writings, however, reveals a particular philosophical and reformist background behind his organizational and psychological texts (Peltonen, 2015). Mayo was a member of the contemporary circle of Australian scholars embracing British Idealist philosophy. In addition, he was inspired by British Idealism's political counterpart, the so-called New Liberalist program. Mayo was also active in the adult education scheme Workers Educational Association that had developed out of the original format of the Toynbee Hall and the university settlement movement – both having a direct link to the Idealist program in the United Kingdom. Like Parsons, Mayo was developing an original (and, it suffices to say, idiosyncratic) synthesis on the basis of deeper traditions in philosophy, political theory, and the embryonic behavioral sciences that cannot be adequately addressed without a recourse to intellectual history.

The main contribution of Burrell and Morgan at the time of the publication of the book was to destabilize the closure of functionalist and Parsonian social theory that focused on primarily what Kuhn (1962) called "puzzle solving," that is, on technical sharpening of the scientific insights within the parameters dictated by the paradigm. The dimensions of Burrell and Morgan's matrix emphasized the differences between the dominant objectivist-functionalist approach and the alternative social theory traditions developing their problematics, conceptual discourses, and methods from a basis that diverged from the institutionalized assumptions of systems functionalism – namely, phenomenological-hermeneutic interpretative approach and the variants of Marxist strands. However, although this was at the time a major impetus for organization

theory to escape the closure of positivist functionalism, continuing to stay within the assumed clash between functionalist objectivism and the "critical-subjectivist" paradigms unfruitfully locks the paradigms discussion into the situation of the 1970s instead of opening up an opportunity to view paradigms as being indebted to the concerns and the assumptions of deeper philosophical traditions.

This kind of step toward a genealogy of philosophical traditions could be seen as a critical response to the application of Kuhn in the study of theory evolution that is in line with what later has become known as the "social study of science," where insights from state-of-the-art sociological approaches are applied to the study of the practices and beliefs surrounding and constituting the objects and subjects of modern scientific fields. The Kuhnian ideas about role of the collective and cognitive contexts in orienting scientific work and epistemic practices have been taken forward by popular schools such as the strong Edinburgh program (Barnes, Bloor, & Henry, 1996), and Actor-Network Theory (Latour, 2005) that focus on the detailed examination of the ways in which natural (and social) science is performed in social and cultural practices. There is, however, a latent possibility that this type of understanding of scientific theories collapses into an over-socialized or "over-anthropologized" version of social science paradigms, where the subject issues and the intellectual-philosophical backgrounds of various scholarly debates are marginalized in favor of exclusive focus on situated practices and social processes constituting scientific inventions and ideas. In social sciences in particular, the role of empirical analyses and experiments has typically been tempered by the direct link between philosophy and social and political theory, whereby new streams in philosophical thinking are translated into social theories, and, subsequently into research or mid-range theories conversing with empirical work. Philosophical traditions enter into the evolving social theory debates through discussions into moral and political theory alongside the more methodologically oriented conversations in philosophy of science.

In light of the current state of affairs in organization and management studies, where the paradigm debate has declined and where boundaries are being erected around eclectic research programs (Hassard & Cox, 2013), a return to general theory and its manifold philosophical traditions could be seen as a welcome counterweight. Those working within general theory and philosophy acknowledge the necessity of going back to classical traditions in order to understand the intellectual struggles contextualizing the introduction of new ways of thinking, as well as to make better sense of the attempted syntheses combining earlier traditions. It is also crucial for any textbook aiming to delineate various paradigms in their own terms and to represent their intellectual heritage in a way that remains

sufficiently authentic to the original concerns and worldviews of each approach.

1.5. Theoretical Approaches in This Book

This book provides on overview of the development of organization theory from the perspective of general theoretical traditions. The approaches covered are fairly obvious for anyone familiar with the history of the field and the previous mappings of the debates and traditions (e.g., Casey, 2002; Hatch & Cunliffe, 2006). The overall examination of the main paradigms is informed by the focus on general philosophical level streams impacting on the background of each of the approaches. In addition, the aim is to avoid anachronistic interpretations where the older paradigms are read in a revisionist mode using exclusively the state-of-the-art understandings of the contemporary trends in social and philosophical thinking. An attempt is made to restore some of the original concerns and problematics that motivated the theoretical work within each paradigm. This type of re-contextualization is reminiscent to the strand of historical inquiry known as Intellectual History, which aims to reconstruct the cultural, philosophical and discursive milieu within which canonical contributions to social and political theory took place (Skinner, 1969, 1978). To achieve a description of the traces of the *Zeitgeist* that surrounded various shifts in organization theory, intra-scientific developments are complemented with glimpses into various societal transitions and events that accompanied the emergence of new perspectives, as well as short biographical anecdotes of the key theorists offering insights into personal and inter-personal dynamics involved in theory work.

The theory traditions covered are (Table 1.1):

- Classical organization theory, building on the systematization of mechanical-rational practice by Taylor and Fayol, as well as the early interpretation of Weber's bureaucracy theory.
- Cultural modern theory, following broadly Parson's early theory of action and the associated focus on normative order, and being introduced to organization theory by two groups, the Harvard circle of Mayo, Rothlisberger and Barnard, and the other, based at Columbia university, consisting of Merton, Gouldner, and Selznick.
- Rational modern theory, which is represented in Parson's systems theory and in the associated developments in general

Table 1.1. Theoretical Approaches Covered in This Book.

Theoretical Approach	General Theory Background	Introduction to Organization Theory
Classical	Implicit (mechanistic-rational philosophy, engineering)	Taylor, Fayol (Weber)
Cultural Modern	Parson's normative theory of action (Weber, Durkheim)	Mayo, Roethlisberger, Barnard (Harvard); Merton, Selznick, Gouldner (Columbia)
Rational Modern	Systems theory (later Parsons, cybernetics, cognitive psychology, neo-positivism)	Structural Contingency Theory, Carnegie School (Simon)
Interpretative	Schutz's phenomenological sociology (Berger & Luckmann, Garfinkel) (Hermeneutics, Semiotics)	Silverman (Weick, Smirchich)
Critical	Marx (Braverman, Frankfurt School of Critical Theory)	Labor Process Theory, Critical Management Studies (Alvesson and Willmott)
Postmodern	Poststructuralism (Foucault, Derrida, Lyotard)	Cooper and Burrell

systems theory, cybernetics, and cognitive psychology. The stream entered organization theory through the work of Herbert Simon and his colleagues at Carnegie, and, later in the form of structural contingency theories of Woodward, Burns, Stalker, and others.

- Interpretative theory, being predominantly inspired by Schutz's phenomenological sociology, itself a modification and extension of the original phenomenology of Husserl. Schutz and the broader corpus of phenomenological sociology (Berger & Luckmann) was first introduced to general organization theory by Silverman, followed later by related contributions from other theorists such as Weick and Smirchich.
- Critical theory, consisting of variants of Marxist and neo-Marxist thought translated into organization studies. The major entry points were Braverman, whose LPT evolved into an indigenous critical stream within organization studies, as well as the cultural approaches of Frankfurt School of Critical Theory, instilled into the embryonic Critical Management Studies movement by Willmott, Knights, Alvesson, and others.
- Postmodern theory, represented by the thought of French Poststructuralist, most notably those of Foucault and Derrida, and introduced into organization theory by Cooper and Burrell, with an adjacent community of scholars following soon in their footsteps.

Naturally, representing theoretical approaches as self-contained schools separated from each other does not tell the whole story. There are obvious continuities between the paradigms, for example when particular theorists have been working in the various stages of their career in successive paradigms. Many, if not most, of the approaches are actually synthesis of existing traditions, building on the grand ideas that preceded them. In addition, someone working in more mature fields such as political theory might claim that the theoretical issues around the nature of organizing and governance have been debated long before organization theory was formally born in the post-World War II US academy. Indeed, the whole tradition of political philosophy starting from Plato and Aristotle and continuing in the early modern Europe by Machiavelli, Hobbes, and Locke, and further via Rousseau, Kant, Hegel, Marx to Rawls, Taylor, and Nussbaum (just to mention a few) could be seen as an exercise in "philosophy of organizing and managing." It is difficult to determine the origins of organization theory and the actual cutoff points between various schools of thought.

However, the argument in this book is that it makes sense to identify these six paradigms as constituting the main intellectual traditions characterizing the short history of organization theory as a recognizable sub-field of the social sciences. First, it is commonly acknowledged that the object of organization theory is the modern organization that saw its birth in the post-Enlightenment era of new capitalist firms and rational public bureaucracies. In this sense, organization theory is analogous to the division of labor where sociology is given the task of investigating modern, Western societies. Second, the approaches presented form a kind of meta-narrative unfolding from the nascent modern views (mechanistic thinking, engineering practice) to fully developed modern social theory to the critiques of functionalism (phenomenology, Marxism), and finally, to postmodern interrogations (poststructuralism). This arch is contextualized by viewing the moves in the intellectual debates culminating in the post-foundational thinking as well as attending to the shifts in Western history toward the current post-Cold War era of global capitalism. This kind of narrative, it is argued, captures the broad logic of the succession of the major paradigms without resorting to a totalizing revision of the multiplicity of theoretical views from a particular philosophical position.

At the same time, the narrative should not be taken to suggest that all philosophically sensitive organization theory has moved to work with the implications of the postmodern turn. As previously noted, modern and mechanistic worldviews still persist in organizational debates. Additionally, just like general social theory advances with the emergence of new creative amalgamations, so does organization theory display moments of theoretical syntheses informing

the birth of new research programs. CMS is undoubtedly amongst the most sophisticated of these contemporary streams. It draws upon Marxism in ways that blend original ideas of historical materialism and dialectic method with several contemporary ways of theoretical thought. Important is the fusing of Weberian social theory into Marxism in the early work of Frankfurt School as well as the incorporation of hermeneutics and pragmatism in the contribution of Habermas. Within the LPT, poststructuralism has been used to open up the somewhat dualistic notions of subjectivity inherent in Braverman's initial articulations. Critical Realism is another stream that incorporates the idea of deep structural forces into empirical methodology that borrows from Aristotle and Kant (Fleetwood & Ackroyd, 2004; Johnson & Duberley, 2000).

However, even in a refined program like CMS, there are limits to how extensively one can borrow from traditions embodying a different worldview and a philosophical hinterland. In 1971, Dutch television organized the famous debate between Foucault and Chomsky, both representing ostensibly a critical-leftist stance in contemporary philosophy (Chomsky & Foucault, 2006). The ensuing conversation revealed substantive differences between the two thinkers in relation to historical progress, knowledge, and politics. In a decisive comment to Chomsky, Foucault for example questioned (after noting that "I will be a little bit Nietzschean about this") the universality of the idea of justice as a weapon of political mobilization and progressive change, claiming instead that the concept of justice is immanent to the modern class society and the political struggles endemic to that particular regime of truth. "Justice" is invented in the context of the oppressed classes looking for a weapon to resist modern capitalist power apparatus. Just as Nietzsche in his genealogies of morality, Foucault was insistent on locating ethical maxims into the historical conditions of possibility and the forms of will to power operating within the immanent social struggles. Another contemptuous clash between critical-Marxist and alternative continental philosophies was witnessed in the so-called Gadamer-Habermas debate (Teigas, 1995) that dealt with the role of traditions in the interpretative production of new conversational realities. Gadamer, a Heideggerian hermeneutician, took the stance that the recognition of the pre-existing traditions represents an important element when engaging in dialogue that eventually transcends the original position of the interlocutor and leads to a positive fusion of interpretative horizons. Habermas, an heir apparent of the Frankfurt School Neo-Marxism, on the other hand, maintained that the corpus of existing traditions should be approached with critical reflexivity, assessing the limits of the historical understandings of society and culture in order to maintain a degree of freedom from the possible unintended reproduction of capitalist ideologies in

dialogic speech acts. Despite their common leaning on hermeneutic ideas of the role of interpretative practice in the performance of sociocultural realities, Gadamer and Habermas ended up holding divergent understandings of the relation of cultural understanding to the dynamics of past, present, and future.

The Foucault/Chomsky and Gadamer/Habermas debates suggest that important sociophilosophical and political differences can be identified between thinkers commonly reckoned as "critical" or "non-mainstream," once the conversation moves to the essential questions regarding the nature of society, institutional orders, and the human condition. In this sense, various intellectual traditions do not mix up as easily as if often claimed. The rich use of different paradigmatic ideas can be fruitful for the purpose of crafting research theories for different sorts of empirical programs (Lewis & Kelemen, 2002). However, when looking at the paradigms as normative articulations of society, human nature, morals, and so on, a starker incommensurability between different theoretical schools can be noticed.

This suggests that CMS is not so much a unified paradigm as an eclectic program that borrows from various traditions to form a rich perspective on the critical topics such as exploitation, inequality, ideological closure, and the possibility of emancipation. In its core, CMS is defined by its opposition to the established order and the bourgeois body of knowledge that sustains and covers the prevailing power structures and interests of the ruling class. Indeed, as many articulations of CMS (e.g., Alvesson, Bridgman, & Willmott, 2009) suggest, the approach is grounded on the idea of the inherent clash between the mainstream view on organizations and management, and the alternative critical view. The mainstream view is usually taken to denote a commitment to utilitarianism, positivism, and the fostering of neutrality of science, as well as an attachment to neoliberalism and contemporary managerialism (Grey & Fournier, 2000).

The articulation of CMS as what mainstream view on organizations and management is not constitutes the defining binary opposition for the CMS project. At the same time, however, it tends to fall short of explicating the positive core of the CMS project in terms of the tradition-bound paradigm it endorses (Ritzer & Schubert, 1991). One could argue easily that the *differentia specifica* of CMS is its application of the powerful legacy of Marxian philosophical, societal, and political thinking to questions of organizational theorizing. This legacy and its role in the genealogy of modern social and philosophical thought cannot be adequately addressed if CMS is understood solely as a hybrid theory initiative that defines itself exclusively in negative terms as the other of the assumed management studies mainstream. This is reflected in the insistence of this book to locate CMS and critical organization theory primarily

to the Marxian tradition, and to approach interpretative and postmodern approaches as separate intellectual endeavors, each with central concerns and motivations that differ from the core project of Marx and Marxists.

The book is structured so that in each of the chapter, the social theoretical background is introduced, following an overview of the introduction of the paradigm into organization theory. This is followed by a closer look at the ways in which substantive topics in organization and management studies are framed and interpreted in each of the approaches. Any contemporary management and organizations textbook illustrates the breadth of different substantive phenomena studied with the help of organization theory ideas (e.g., Clegg, Kornberger, & Pitsis, 2011; Palmer & Hardy, 2000). For the purposes of keeping the discussion in a compact and accessible form, three main issues are scrutinized (Scott & Davis, 2006):

1. The relationship between the individual and the organization,
2. Management of organization as a collective whole, and
3. The relationship between organization and its environment.

Of course, the division of substantive topics into phenomena on different levels of analysis is not theoretically or ontologically neutral. The idea of different levels of analysis is better suited to objectivist methods, where an organization is deemed to consist of hierarchically organized parts. In subjectivist approaches, micro-, meso- and macro-level phenomena are all viewed as products of interaction and cultural significances, whereas institutional and societal-structural views embody a perspective understanding organizations as microcosms. Still, the distinction reflects a habitualized division into different problematics in organizational research and education. The first field of phenomenon is an analysis focusing on the relationship between the individual and the organization. This is a traditional micro-level field of organizational research, focusing on the behavior of individuals or groups in the context of organization. Research related to the management and leadership of organizational wholes functions as the second core discussion. Organizational research has traditionally had an opinion on all matters related to the management of an organizational system; among other things, on whether an organization is best managed through neutral systems and techniques, or whether management requires charismatic leadership and collaboration based on trust. The analysis exploring the relationship between organization and its operating environment is distinguished as the third main phenomenon. The role of the operating environment has been emphasized in organizational research for a long time already. At the same time, there are, however, disputes on whether an organization

passively adapts the surrounding views, whether subjective interpretations have any significance in the adaptation process, and to what extent an organization itself can affect the structures of its operating environment. Each core topic is interpreted in a different way in a given theoretical perspective.

The final chapter of the book provides a reflective conclusion on the trajectory of organization theory. After discussing the use of multiple paradigms in empirical research, the discussion turns to the overall genealogy of theoretical views in the context of historical and intellectual dynamics. The assessment of the totality of views suggests that the overarching figure towering above most, if not all, theoretical approaches is that of Weber. Weberian perspectives, concerns and theoretical positions, permeate in many different ways the specter of theoretical paradigms in organization studies, so far that one could even draw the bold conclusion that organization theory can be seen as an unfolding reaction to the issues and theoretical constructs raised by Weber. He figures also in critical approaches as a role model for the more pessimistic analyses of the consequences of modern rationalization for human freedom and self-realization.

While Weber (1976) describes the emergence and the ensuing triumph of rational social form, his Nietzschean nihilism does not allow speculation about the possible way out of the modern impasse. Like Foucault (1983), he is content on illuminating the conditions permeating to the existence of the iron cage of modern, instrumental reason without a normative alternative to the current closures. An alternative historical mapping is found from Sorokin (1942), whose early sociological work leans on an historical view of the succession of materialist-empiricist and transcendental-spiritual epochs in culture. According to Sorokin, we are witnessing the gradual rupture of the modern empirical immanentism that has matured since the late Middle Ages. His vision is to avoid the rise of an opposite extreme mentality, strict transcendental fundamentalism in favor of a more balanced integralism in the fashion of the ancient Greek thinking. It is this type of re-introduction of the metaphysical counterforces to the prevailing materialism and scientific empiricism that could open up a path out of the impasse that social theory finds it in after the poststructuralist demolition of the traditional foundations of social thinking. It is argued that, ironically, the Marxian legacy could be helpful in such an endeavor by revealing the visibility of its traces of Hegelianism in its implicit eschatology and the associated belief in the role of the dialectic method to realize the fullness of the human communal existence. Re-philosophizing Marx (Feenberg, 2014; Lukács, 1971) could be one of the ways to assess the developments leading to the postmodern impasse and to discuss hot to unlock some degree of faith in the potential of positive change in organizational life.

CHAPTER

2 Classical Organization Theory

Organizations have existed throughout history. For example, the building of ancient pyramids required the systematic leadership over and organization of a massive amount of workers. The Roman Empire would not have survived without efficient management, which included centrally appointed governors, who were responsible for the regional colonies of the wide-spread empire. The Catholic Church was the most powerful organization of its time, with its hierarchical structures and tight norms applicable to the members of the Church. History shows us that organizations and organization have been related to attempts to govern and manage large governmental, economic, or religious communities. On the other hand, awareness of the systematic management of organizations, as well as of the various forms and characteristics of organizations, arose only about a hundred years ago.

In the early 20th century, industrialization had progressed so far that many people started to consider the new challenges it had brought along. Efficient production by factories and industrial enterprises required work tasks to be carried out seamlessly. The manageability of the production process was a new kind of challenge for factory owners. Workers with previous experience in agriculture or artisanry were not prepared for the discipline required by industrial operations. Neither did the foremen have the tools to control and supervise work processes in a way required by this new kind of industrial efficiency. At the same time, nation states became the guiding political format for controlling societal development. The management of a state-society demanded a new method of organization. People no longer wanted public servants to act only in their own best interests, supported by the autocrat in power at any

particular time. Nation states strived to create a public administration with officials independent from the demands of various interest groups. The aim was to bind the representatives of public authority to the internal rules of the organization, by giving them the financial security provided by their career.

Early organizational theory tried to analyze new management and organization challenges from various perspectives. Two different kinds of discourses were born, analyzing the organization of an industrial society. The first perspective was more practical, and aimed to develop a systematic theory of organizational management. The theory was primarily concerned with industrial enterprises and workplaces. The other perspective was more theoretical, and it approached organizations mainly through phenomena related to public administration. These two branches of theory were not directly interconnected, although generally speaking, they dealt with the same common developmental aspects in the industrial societies of the late 19th and the early 20th century. Neither of these perspectives directly aimed to create a separate scientific theory of organizations and company management, which could be used to study organization. It was only when the "classics" were discovered or constructed later that this period started to be called the earliest stage of organizational theory. Strictly speaking, at the time of classical organizational theory, the field of organizations and management was not considered to be a stand-alone theoretical or academic subject, so it could better be considered to have been a pre-theoretical stage.

2.1. Practical Classical Theory

Undeniably, the most important developer of the practical branch of classical organizational theory was Fredrick Winslow Taylor (1856–1915). Taylor was an American engineer who developed ideas about organization and management when he was working as a manager and a consultant in various factories. The greatest challenge in the industrial organizations of the time was related to productivity. Technological advances had resulted in well-functioning machines and equipment, but people were still producing below the level of optimum productivity. The background of the staff was also comparatively mixed. In the United States, a large part of the work force were first-generation immigrants, who had not yet fully adapted to their new home country. Another large group comprised people who moved from the countryside to urban areas, and these people were used to the nature-dictated pace of farming and forestry. The factories had a need for guides and practical techniques which would systematize production work. Long-held craftsmanship principles

also had to be taken into consideration: Once craftsmen had received their training, they had been given relatively free reins to complete work processes in the best way they saw fit.

According to Taylor, production cannot be made more efficient as long as workers are actively avoiding committing a full work effort for the organization. Avoiding work was described by the term "soldiering," which referred to soldiers in transit on ships, off-duty from their daily tasks. Taylor stated that systematic work avoidance was possible because management was unable to monitor staff strictly enough. On the other hand, workers considered any information regarding the details of their work process to be private, and did not give management the chance to make things more efficient. It was a kind of a tactical game between workers and the owners and the management, but Taylor considered it to be a "gang mentality," which was partially disadvantageous for the workers themselves, too. Taylor advocated for more rational attitudes.

Taylor's solution was to split work into small segments, which could be taught to the workers without much effort. It was also easy to supervise small tasks, because it was possible to define their performance level numerically. For this to be achieved, however, production processes had to be analyzed and divided into small sections, suitable for individual tasks. Indeed, Taylor referred to his approach as *scientific management*, because he considered it to be based on scientifically precise definitions and divisions of the work process. Taylor (1911) himself outlined the four basic elements of scientific management:

(1) Replace the workers' "gut feeling"-work practices with know-how and methods based on the scientific study on work.

    This element meant that the workers' own know-how would be replaced by the systematic collection of scientific information, and a study on work. According to Taylor, it was sensible to gather knowledge spread out within various occupational groups into such an objective format whereby it could be used for making work more rational. The objective was to "… assume, for instance, the burden of gathering together all of the traditional knowledge which in the past has been possessed by the workmen and then of classifying, tabulating, and reducing this knowledge to rules, laws, and formulæ which are immensely helpful to the workmen in doing their daily work" (Taylor, 1996, p. 71).

(2) Choose workers by using scientific methods; then train, guide, and develop the worker to perform any given task as well as possible.

    Previously, workers had been able to choose tasks that they preferred doing. Now, their choice was changed in accordance

with rational methods and scientific analysis. Management had to assess every individual and their characteristics before choosing the right person. Different individuals had different skill levels and abilities, which had to be taken into consideration. This segment anticipated the creation of contemporary personnel selection techniques, and more broadly, the use of psychological methods, as well. Taylor also assumed that individuals can learn to perform increasingly better at any particular task allocated to them, which is one of the guiding principles of contemporary business training. Work tasks have been set out in advance, and the manager's task is finding an individual suitable for the requirements of the work, using certain selection methods, and later also training methods. Salary also had its part to play, which will be addressed further on.

(3) Instruct and supervise each worker to perform the task allocated to them in the best possible way.

This highlights the central feature of Taylor's approach: supervision. One of the innovations of scientific management was to strive for giving feedback to the workers as quickly as possible after the completion of a work task. Taylor himself always aimed to increase production volumes, and set quantitative goals. Feedback was an important part of encouraging workers to achieve better results. According to Taylor, "[i]t is just only just to the workman that he shall know right off whether he is doing his work right or not. He must not be told a week or month after, that he fell down. He must know it the next morning" (Taylor, 1996, p. 75). When Taylor was working as a consultant, he used white (success) and yellow (failure) envelopes to notify the workers of their performance level. The envelopes were chosen as a method of communication instead of written feedback, because several workers at Bethlehem Steel Works were illiterate. In a way, intensive feedback was a substitute for the physical presence of a foreman who, according to Taylor, was likely to encourage workers to act busy at suitable moments, in order to create a positive impression.

(4) Divide work between managers and workers so that managers plan the organization's activities using the principles of scientific management, and that workers perform the actual work tasks.

One of the assumptions of scientific management was a strict division of labor between the management and the workers. Division of labor was also prevalent among workers, for example with work tasks split up into smaller tasks in accordance with the various stages of the manufacturing process. For Taylor, the divide between the management and the workers was fundamental. The management represented the intellectual part of scientific management, responsible for the investigative

> understanding of work, and implementing rational management methods on the work force. The management was the "head" of the organization, and the workers were its executive "body." Taylor emphasized that in a way, the emergence of professional management in work organizations transferred some of the organizational responsibility from the workers to the managers. Organization would no longer be the responsibility of the workers alone; instead, managers would specialize in planning and guidance. However, Taylor considered a direct reason for the special status of management to be the fact that planning work required desk space, which is why no worker could simultaneously have a managerial role.

Taylor's ideas had a lot of supporters. Frank and Lillian Gilbraith, and Henry Gantt were among the people who developed scientific management further. The Gilbraiths took the separation of the work processes to the extreme in their so-called Time and Motion Studies. These studies aimed to describe the worker's trajectories during the completion of various tasks. The Gilbraiths used a new technology, cinematography, to define the details of the workers' movements. For example, they filmed hand movements compared to various parts of the body with the help of fluorescent buttons; and when projected on a chequered background, this film would reveal the precise movement trajectories of the workers. The idea was to try to simplify and to reduce the amount of work tasks. It was said that Taylor had already been walking around, always carrying a stopwatch in his pocket; but these Time and Motion Studies also included a systematic analysis of motions occurring in a particular space, for the better definition of work tasks. Henry Gantt is known as the father of project charts. Gantt (1911/1916) developed a prototype of the Gantt chart, named after him, which specifies the chronological progression of the different stages of a project or a work process. The purpose of the chart is to portray the planned temporal duration of the various work stages, and the articulation of the different stages compared to each other.

Gantt's idea of splitting a process into temporally separate, consecutive segments was made concrete in Fordism. The car manufacturer Henry Ford was the first to apply the principle of work task division to the entire manufacturing process. The conveyor belt method he presented in 1913 in his factory in Detroit was based on the standardization of car parts. Identical chassis parts were made for each assembly stage, the joining of which did not require an extensive amount of skill. Because the number of workers able to work simultaneously around a car at any given time was rather small, the chassis was made to move across the factory. Particular car elements arrived directly at each work station, where workers

would routinely install the part or device that had to be installed at that stage. Fordism extended the goal of making work more efficient and rational toward the entire production process. The speed of the conveyor belt, and simplified assembly tasks set a clear rhythm for the work, which did not need as much managerial supervision as with Taylorism. Ford's conveyor belt method did not just make existing manufacturing processes more efficient: it revolutionized the entire industrial manufacturing approach, and paved the way for the modern mass consumption society.

Ford's and Taylor's theories were not directly about the general management of a large company. Such an approach was developed by Henri Fayol (1841–1925). Fayol was a French mining engineer, who had a managerial role in a considerable mining industry company. Like Taylor, he was not an academic, but rather, someone involved with the practical aspect of things who later translated his experiences into normative suggestions. Fayol's main work, *Administration industrielle et générale (General and Industrial Management) (1949)* focused on the general management of a corporate organization. Fayol had let his ideas mature for years, and the book was published only when he was close to his retirement. Unlike Taylor's theories, the approach referred to as Fayol's classical theory of management did not spread among an English-speaking audience before the 1930s. However, in France, this book became an immediate success.

The Life of Henri Fayol

Henri Fayol was born into a wealthy family of engineers. His father worked as a planning engineer in metallurgical enterprises. Henri attended a school run by missionaries, and later studied at a technical college. After graduation in 1860, he was employed at a mine called Commentry. The mine was in the middle of a crisis situation: fires were blazing in the mine, and some areas were in danger of collapsing. The director of the company, Stephen Mony, hired a group of young talented engineers to solve the problematic situation. The young Henri was one of the people in this group. Mony took Fayol under his wings, and acted as his mentor for the following years, while Fayol's career was slowly progressing toward managerial roles. Fayol became a competent and award-winning mining engineer. Among other things, he published technical research on mining while his career at Commentry progressed to managerial duties. In 1888, Fayol was named the managing director of the entire corporation. The company was nearly

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bankrupt: it had not paid dividends for four years. Fayol was ready to accept the challenge of his lifetime. Soon after, the company started making profit. Fayol continued as the managing director until he retired in 1918. During his time as a managing director, Fayol took notes on his observations of management and organization. Over time, he started to speak in favor of administrative management. The highlight of his activities was the publication of *Administration Industrielle et Générale* in 1916. Fayol was 75 years old. During the years 1916–1923, after he had retired, he still kept working on his theory of management. Fayol founded the institute Centre d' Etudes Administratives, which was dedicated to the propagation and consolidation of Fayol's theory of management in the French, and later also in the global context. During his last years, Fayol also worked as a consultant for the National Post and Telecommunications Authority of France, with the goal of implementing his theories in a state organization. However, he passed away without seeing how popular his theories would later become. After Fayol's death, his relatives were still active in the area surrounding Commentry. For example, his successor in the management of Comamboult was his brother's son-in-law. Fayol's son, Henri Junior, had leapt to the Taylorists' camp, and acted as the leading figure of the international society of scientific management all the way until the 1970s. The father and the son did not get along, partly because of the latter's support of Taylorism, and partly because of the latter's choice of a wife. Henri Senior did not approve of his son's Jewish wife.

For a long time, Fayol had been in charge of a mining company called Commentry-Fourchambault (Comamboult). When he had been put in charge, the company was nearly bankrupt, but Fayol was able to get the company back in the black. Steering a large company in a completely new direction required learning the skills of general administration. Indeed, in his theory, Fayol emphasized the difference between professional skills and management skills. As far as he was concerned, professional skills in a particular field were no guarantee of success in general administrative tasks. Management requires different skills compared to substance expertise. Thus, Fayol's premise was close to Taylor's ideas: Management needs specialized people, who would gather all the information needed for the management of an organization, and who would use contemporary management techniques for controlling operations. A simple gut

feeling is insufficient for ensuring that a company operates efficiently and purposefully.

Fayol presented his theory as a list of tasks or principles necessary in managerial work. These principles portray an organization with a hierarchical structure, and which is ruled over by a distinct "class" of managers, but which also strives to uphold clarity and justness. For Fayol, the ultimate goal of the elements of managerial work was to strengthen the unity of an organization. According to him, "there is no limit to the number of principles of management, every rule or managerial procedure which strengthens the body corporate or facilitates it functioning has a place among the principles as long as, at least, as experience confirms its worthiness" (Fayol, 1949, p. 19).

Fayol tried to actively influence the implementation of systematic management theory in education. According to his view, if management was a part of general knowledge that could be learned, it should also be a part of academic education. Fayol wanted institutions of higher education to include "theory of management" in their curricula. He did not necessarily go as far as to suggest organizational theory based on scientific research, but he did, however, aim to make the decision-makers aware of his popular theory. For this purpose, for example, he founded an institute focused on administrative organizational studies. On the other hand, Fayol, like Taylor, worked primarily within the engineering profession. Both of these thinkers believed that this new professional group of managers would primarily be related with the field of engineering, as they considered that group to be the best-equipped for solving organizational challenges. Production supervisors often had an engineering background, and they could otherwise manage the development of companies of the time, which were strongly relying on manufacturing technology. Even though the problems related to the management of an organization are different from the issues of managing production technology, classical organizational theory saw an analogy between the technical functioning of machines, and understanding the human behavior of a social organization.

Fayol's ideas spread in the Anglo-American sphere of business in the 1930s. At that time, two early organizational theorists, Gulick and Urwick (1937), presented Fayol's principles as a part of the theory of organizational management they outlined in their book, *Papers of the science of administration*. Gulick and Urwick condensed Fayol's views in the POSDCORB chart which was to become famous later. This acronym refers to the following principles of management: Planning, Organizing, Staffing, Directing, Coordinating, Reporting, and Budgeting. Gulick and Urwick were later known as the developers of contemporary public administration. Thus, the theory Fayol intended for a corporate environment

was transferred to the early theoretical reference framework of organizations in the public sector, as well. On the other hand, this contained no fundamental contradiction, because classical organizational theory assumed that the characteristics of organizations are universally applicable, regardless of the particular field of industry or the social environment. The principles introduced by Fayol, and an organization functioning in accordance with such principles, were applicable for both business enterprises as well as the understanding and management of organizations of public administration of the state or the local municipalities.

With Gulick's and Urwick's writings, the circle closes on the history of the development of practical classical organizational theory. Namely, when Luther Gulick was a young researcher, he had met Fredrick Taylor. Taylor had a habit of visiting the early research center of public administration, where Gulick was working. Taylor knew the director of the research unit, and in his wake, other pioneers of scientific business management, such as the Gilbreiths and Gantt, also visited the unit. Gulick reminisced later, "[Taylor] frequently dropped in to Dr Cleveland's New York office at the (then named) Bureau of Municipal Research and occasionally talked to staff and student members. To us young researchers he seemed rather cold, somewhat authoritative and aloof, though his emphasis on truly objective analysis and the timing of all processes and motions was most impressive, and to us, scientific. He orated on his studies even when talking to a few people and waved his stop watch to make his points, but we'll never forget him" (Van Riper, 1995, p. 6). Taylor's personality caught people's attention, and it is thought to explain at least partially why the perspective of strict order has such a prevalent status in Taylorism and its consequent approaches (e.g., Morgan, 1997).

Taylor as a Person

Taylor grew up in a religious Quaker family in Philadelphia. His childhood home highlighted puritanical values and a strict discipline. Taylor was rather pedantic already as a child. For example, it is said that he once demanded for the measurements of a baseball field to be double-checked. Later, these characteristics influenced him all the way into adulthood. Taylor liked to plan his daily activities in advance, and he tried to limit any surprises from occurring in his everyday life. At first, he studied at Harvard Law School, but later had to transfer to a career in engineering, due to problems with his sight. Taylor worked on the manufacturing floor level of

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factories, and later as a supervisor, while obtaining a degree in mechanical engineering by correspondence. He became a consultant in production efficiency. His most famous employer was a Pennsylvanian factory called Bethlehem Steel Works. Taylor's principle was to aim for order, discipline, and systematization. His theory of management had parallels with his own life, where he tried to control chaotic subjective impulses with the help of strict regularity and discipline. Taylor did not know how to confront unfamiliar influences. For example, he used to give two-hour lectures at home, during which the audience was not allowed to ask questions. After the lecture, some time was allotted for questions, and afterwards Taylor took his guests to see scientific management in action at a nearby factory. Taylor always gave the same lecture, even when he was presenting elsewhere. The lectures were developed further by Taylor's younger colleagues. Adhering to the same plan seemed to be characteristic of everything that Taylor did.

2.2. The Sociological Branch of Classical Theory

Urwick's and Gulick's theory of the rational management of public administration predicted the arrival of a great theory in organizational studies. Indeed, this came to fruition in the form of Max Weber's theory of bureaucracy. In the 1930s, Weber was still relatively unknown in the English-speaking academia, as his works were written in German, and had not been translated. In 1930, the American sociologist Talcott Parsons translated Weber's most famous text, *The Protestant Ethic and the Spirit of Capitalism* (Weber, 1976), followed by the publication of other seminal works. For example, *The Theory of Economic and Social Organization* that outlined the theory of bureaucracy was published in the year 1947, translated by Parson and one of his colleagues, Henderson. Parsons adopted Weber's viewpoints into his own developments of a general theory of sociology, but in a way that did not particularly highlight Weber's importance as an analyst of bureaucratization and rationalization, but rather as a developer of a subjectivist theory of social action. We will be returning to Parson's role in the development of organizational theory later, in Chapter 3.

Weber is considered to be one of the classics in sociology and political science, who influenced the development of social sciences

at a time when sociology, political science, and other areas were still taking shape as disciplines. The Germany of Weber's time was an increasingly powerful empire, which had become a single state consisting of numerous former kingdoms, after a long and painful unification process. The Prussian Army and the developing civil service represented the most rational organization type of their time. Having personally experienced the turmoil of those times, Weber was interested in depicting the characteristics of this rising method of organization in a wider historical context. He referred to a hierarchically structured organization as "bureaucracy." As a sociologist, Weber approached bureaucracy as one of the forms of social ordering. He drew parallels between bureaucracy and the forms of governmental administration preceding it. According to Weber (1968), bureaucracy represented a new type of power use. This is how the typology of three different management or leadership approaches was created:

(1) Traditional authority

Weber used this term to denote primarily to monarchical administration, where the same family would rule over a country for several generations. At the background of traditional authority is the idea of the leader of an organization or a state being like the head of a family in a conventional patriarchal family structure. A monarch acts like the head of a family, while the citizens assume their subjugated and dependant role. The power of a traditional authority is often based on an existing status, which is assumed to be a part of the normal order of things. Monarchs and their courts are a part of a tradition that no-one wants to question. Indeed, a traditional leader strives to maintain well-established values and rituals, because the power base of the dynasty often depends on the will of their citizens and subjects to experience continuity.

(2) Charismatic authority

Charismatic governance is based on the ability of an attractive leading figure to get their subjects on their side. This, in turn, is related to the mystical or even supernatural powers of a charismatic leader. A charismatic leader can be the figurehead of a religious movement, but also, for example, a political leader or a guru figure appealing to the masses in the contemporary world. Charismatic governance is based on the movement that the leading figure can achieve. There is no real organizational form in charismatic governance; but instead, structures are established later as the movement becomes more stable. On the other hand, once the leader steps aside, the attraction of a charismatic governance apparatus weakens quickly. Indeed, many systems based on charismatic leaders

strive to continue the person-driven cult even after the death of the leader, for example with the help of propaganda or, in extreme cases, as in the Communist countries, by worshipping an embalmed corpse.

(3) Rational (or rational-legal) authority

The third type of authority is the background for bureaucracy. Rational governance and organizing relies on laws, regulations, and sanctioned norms. Its legitimacy does not stem from the assumed traditions represented by monarchy, or from the emotional appeal of a charismatic leader; instead, it arises from the power of rules, regulations and structure to create stability and order. In a rational-legal system, organizational authority arises from the manager's formal position in the hierarchical structure, which gives them the right to issue orders and instructions for those on lower levels. The rational approach creates a world with its own internal order, where rules and instructions represent rationality, which, in turn, becomes evident in references to efficiency, productivity, and hierarchical discipline.

Max Weber: A Short Biography

Max Weber's father was a prominent lawyer, active also in politics. Max Weber Sr was a member of the local liberal party, and represented the party in the German parliament, the Reichstag. Germany in the late 19th century was a relatively new nation-state, experiencing rapid modernization and economic development. It can be said that Weber was born into the middle of the profound societal and governmental changes characterizing Germany at the time. However, his relationship with his father was tense, partly because Max Jr did not approve the monarchist model of the unified German state that his father advocated. His mother was a Calvinist, committed to moral values. Weber studied economics, law, and history. He defended his doctoral dissertation and was appointed as a professor of ECONOMICS/LAW? to the University of Freiburg in 1894. Arguments with his father continued, and when Max Sr died soon after a quarrel, Weber suffered a nervous breakdown. He was unable to work and had to give up university teaching. After the breakdown, Weber spent his time recuperating and did extensive traveling. In 1904, he visited the United States, where the local democratic modernism and the dynamism of corporate culture made an impression on him. Weber was at that time already completing his book *The Protestant*

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Ethic and the Spirit of Capitalism, after which he published works dealing with methodology and the history of world religions. Behind the methodological writings was a case where Weber has had a major disagreement with his sociologist colleagues, who wanted science to serve state needs. In this context, Weber outlined his own understanding of science that is neutral, and free from any external ties. After this, an extensive text on economy and society was planned, but its preparations were interrupted by the breaking of World War I. Weber served at a military hospital. In 1919, after peace had been declared, Weber was present at the Versailles Peace Conference, assisted with the drafting of the constitution of the Weimar Republic, and was also otherwise involved in the political life. He also continued his academic work, this time in Munich. He seemed to have accepted his father's role as a liberal figure active in the German political theater. However, this new productive period in Weber's life ended abruptly on July 14, 1920, when he died of pneumonia. Many of Max Weber's projects remained unfinished. Some manuscripts were later published in incomplete forms, like *Economy and Society* (Weber, 1968), which contains the theory of bureaucracy.

Rational management was represented by bureaucracy. The concept of bureaucracy comes from the French word "Bureau," which denotes a desk or an office. Bureaucracy literally means organization occurring at an office desk. The manager's tools are comprised of various guidelines and instructions, with which they can manage operations. Information about the various tasks of an organization is collected, for example, with the help of book-keeping and other information systems. Managers do not need to become personally acquainted with how a particular field functions, unlike in earlier forms of management. Bureaucracy operates by relying on objective information, without the supervisors of various areas having to have personal contact with everyday operations, or with other people. A king does not need to visit remote villages; and generals do not need to be at the forefront in battle. The director or a large company can manage a large organization from the company's headquarters, with the help of administrative staff. The work of organization is done separately from the workplace itself. To this extent, bureaucracy is reminiscent of Taylorism, where the supervisor assumed responsibility for the planning work done in the office, which was thus temporally and

spatially separated from the actual, direct work performance. Organization is differentiated into a separate hierarchical and professional field.

Weber's bureaucracy consists of five basic elements, which are:

1. A clear division of labor between various tasks
2. Assigning tasks based on formal skills, and stable career paths available through the organization
3. The hierarchical positioning of tasks in such a way that obligations between various levels and tasks are clear
4. Clear rules and instructions expressed in writing
5. Formal and informal channels for transferring information

Although bureaucracy was a universal outline of a rational organization, Weber was more careful than Taylor or Fayol with regard to how widely the model can be generalized across contexts. Weber was well-acquainted with the differences between various national cultures, after he had studied the historical and regional development of various world religions. Indeed, he proposed that bureaucracy is the ideal type of the modern or rational organization. This means that bureaucracy is an archetype or template of rational organization. As such, it is difficult to observe empirically in exactly the form as outlined by Weber. This helps to understand the characteristics of bureaucracy not so much as concrete structural features but as a frame with which various actors make sense of the dimensions of the formal organizations. To this extent, the description of the ideal type of bureaucracy is in line with the overall methodological thinking Weber adopted, which highlights the interpretative nature of social phenomena: phenomena such as bureaucracy cannot be directly observed empirically, or recorded; instead, they can be studied as a part of interpretation and signification of reality. In this vein, bureaucracy tries to describe the meaning of organization and organizing from the perspective of the people participating in its life. This view foresees the later emergence of an interpretative perspective (cf. Chapter 5).

On the other hand, Weber wanted to highlight that bureaucracy is a product of a certain type of rationality. Weber differentiated between value-orientated rationality (Wertrationalität) and goal-oriented rationality (Zweckrationalität). Value-orientated rationality denotes rationality which weighs the role of methods and goals. In this rationality, the ends justify the means, and are evaluated on the basis of various criteria, such as values, ethics, aesthetics, a good life, fairness, and so on. On the other hand, goal-oriented rationality is instrumental rationality, where the methods or techniques tend to justify the goals. In goal-oriented rationality, methods have an intrinsic value, which does not need to be based on any claims regarding

value. A good example of this is efficiency, which is not a particularly legitimate starting point for the organization of operations, from the perspective of value-oriented rationality. Efficiency is primarily a tool with which it is possible to reach a deeper or more substantial goal, such as the fair use of public tax money, or societal happiness. However, from the perspective of goal-oriented rationality, efficiency as such is a sufficient criterion for approving certain operations. For example, efficiency in the form of quantitative productivity would value operations to be reasonable, even if the products were not improving human well-being or any other substantially defined value criteria.

For Weber, bureaucracy represents a method that can be used for achieving nobler goals, but on the other hand, it can also become a goal in itself, continuing to operate according to its instrumental criteria despite surpassing any wider human or moral goals. Thus, it is possible that a rational organization comes to serve irrational goals. Bureaucracy in itself does not solve any value-related issues which, according to Weber, should be left to the politicians. Bureaucracy is a tool that works well, provided that it is guided by the democratically shaped principles of good and just life. For Weber, the central merit of bureaucracy was the replacement of arbitrariness with regulated actions and clear order. In civil service, that meant networks of monarchs' favorites were excluded in favor of impartial bureaucrats and experts. In companies, the rise of bureaucratic rationality was tied to the rise of a capitalist financial system. Both of these used bureaucratic features to contribute to the emergence of objective leadership in addition to the previously prevalent personalized governance.

In his book *The Protestant Ethic and the Spirit of Capitalism* (Weber, 1976), Weber describes how Western economy passed from traditional to rational capitalism. Weber claims that the discipline and rationality of capitalist companies was created on a religious basis. The emergence of Protestantism signified a theological and practical change in the relationship between God and an individual. Citizens no longer needed to rely on the mercy of the Church; instead, salvation now depended on the good deeds of every individual themselves. The form of good deeds turned out to be a problem: How could a person be sure that their deeds are good, and leading to salvation? According to Weber, Protestants, and Calvinists in particular, solved this problem by equating the accumulation of wealth with good deeds. Gaining money became a goal that would express that the person in question had done the right things. Weber stated that this enabled rational capitalism to emerge, where people refused to indulge themselves, and patiently increased their wealth. This was different from traditional capitalism, where money was tied to a position among the elite, and a

certain hedonistic way of living. Now, wealth and the work done to achieve it gained intrinsic value, which guided a person's entire life. At the same time, the ascetic attitude ensured a certain moral aura, because the postponement of pleasure for the sake of work was an indication of a person's ethical nature.

Protestant ethics provided a subjective or cultural foundation for the rise of bureaucratic, rational capitalism in the corporate field. It was seamlessly joined with other bureaucratic methods, such as book-keeping and hierarchical discipline. On the other hand, viewing life as a work-related calling provided significance for officials, as well. They could make a connection between their otherwise rather instrumental and impersonal professional lives, and the pursuit of higher ethical values. According to Weber, bureaucratic rationalism was characteristic of the operations of public and private organizations alike. Their own core features receded when they adopted rational principles and structures. Thus, even a company founded by an entrepreneur would, at some stage during its expansion, inevitably turn into a bureaucracy, where operations are controlled by rules and regulations, and which forms a hierarchical whole with its "impersonal" management staff and professional directors.

2.3. Interpretation of Substantive Topics

2.3.1. THE RELATIONSHIP BETWEEN INDIVIDUAL AND ORGANIZATION

Classical organizational theory is often described as an approach that emphasizes a machine-like system operating above an individual (Morgan, 1997). Indeed, both the practically oriented and the sociological perspective consider the primary task of an individual to be the subjugation to the common order and hierarchy. On the other hand, an individual's relationship with an organization is also viewed as slightly more multifaceted. The commitment of an individual to the organization's objectives and rules is a two-way process. *Attention is paid also to the individual's attitude and motivation.* This aspect was further clarified by Taylor.

According to Taylor, one of the largest problems of a traditional work culture was the separation of workers from the other functional parts of an industrial organization. Taylor had personal experience regarding the strained relationship between workers and the management, which he expands upon in his book *The Principles of Scientific Management* (1911, pp. 48–52). He was employed as a machinist in a steel company, until he lost his permanent job during the economic recession of 1873. Fredrick, or Fred, as he was called, ended up becoming a day laborer: These were people with poorer skills, who were employed one day at a time, as the situation demanded. Due to favorable circumstances and his better training,

Taylor was soon able to get a better position than that of a common day laborer. However, for a little while, he had been a part of the community of workers on the factory floor level. Taylor compiled a scathing analysis of the goals of workers, whom he considered to be thoroughly immoral. The workers' practice of collectively agreeing upon the pace of work was also reprehensible, as such a pace did not reach the level of optimum efficiency (Taylor, 1911, pp. 48–49):

> As was usual then, and in fact as is still usual in most of the shops in this country, the shop was really run by the workmen, and not by the bosses. The workmen together had carefully planned just how fast each job should be done, and they had set a pace for each machine throughout the shop, which was limited to about one-third of a good day's work.

Taylor observed that the group of workers always told any new member how much work to do, and if this new person did not adhere to these unofficial guidelines, they would soon be smoked out from the company. When Taylor became a supervisor, several former workers came to his office to remind him that he should not try to change the work pace previously agreed upon among the workers. Otherwise, there would be a rebellion in store. Taylor replied that he was now working on the management's side, and that he would do everything he could to make the workers more productive. This was the start of a war between Taylor and the workers – his former colleagues. The workers sabotaged the factory, for example by running the machines in overdrive until they broke. Taylor, in turn, tried to break the united front of the workers by employing people who were unfamiliar with the unofficial rules of the gang of workers, and by personally acquainting them with the work tasks, and by calculating and increasing wages. Taylor (1911, p. 50) described the atmosphere by saying that "[n]o one who has not had this experience can have an idea of the bitterness which is gradually developed in such a struggle." Taylor received death threats, and he mentioned that if he had been living in the same neighborhood as the workers, the latter would have made his life, and the life of his family, socially unbearable. Luckily for Taylor, he was an educated, middle-class man, who was able to evade the worst of the pressuring. However, the experiences of the workplace realities changed the young Fredrick:

> After about three years of this kind of struggling, the output of the machines had been materially increased, in many cases doubled, and as a result the writer had been promoted from one gang boss-ship to another until he became foreman of the shop. For any right-minded man, however,

> this success is in no sense a recompense for the bitter relations which he is forced to maintain with all of those around him. Life which is one continuous struggle with other men is hardly worth living. (Taylor, 1911, p. 52)

Taylor's goal was to improve the social relationships at the workplace. He wanted to be one of the people developing a management method which would combine the interests of the workers and the management to overcome the bitter confrontations he has witnessed. Indeed, Fred asked for permission from the company management for conducting a series of "scientific" test about the ratio between the time required for work tasks, and the salary paid for doing these tasks. Taylor hired an assistant, with whom he started researching positive work performances. He approached a few workers that were known to be industrious, and promised to double their wages if they worked as best as they could. Taylor aimed to define a level of performance for every work task which could be maintained over a long period of time. Gradually, Taylor noticed that it was not so much the physical strength of a worker that was important, but rather the careful planning and management of work processes. Management needed the workers in order to achieve their production goals, but at the same time, the workers needed the management in order to be able to concentrate and channel their skills in the best possible way, to ensure the smoothness of the work processes.

Performance-related pay was an equally important element. Performance-based bonuses had been in use already, but that system was based on the autonomy of workers. The management did not interfere with the organization of work, it only monitored the results. This gave the workers the opportunity to get organized in a way they preferred, and to cut their supervisors off from their working methods that were considered to be trade secrets. Taylor wanted to combine performance-related pay with strict adherence to managerial instructions in all circumstances. He describes his attempts at improving management at the company Betlehem Steel, where he was employed as a rationalization consultant in the 1890s. The objective was to make the processing of stocked iron bars more efficient in a market situation where increases in the price came with added pressure to get the goods quickly from the warehouse to the customers. Taylor and his assistants observed a group of 75 men, and identified the men with the most suitable physique for this work. The background information of these men was scrutinized, in order to find the most suitable person to start operations in full accordance with the new management method. Taylor found "Schmidt," a German worker who seemed industrious and who appreciated financial incentives.

Taylor asks Schmidt whether he was an expensive man, or one of the many cheap workers. Schmidt becomes confused, but Taylor explains that an expensive man could be earning 1.85 dollars a day, instead of the usual 1.15. Schmidt (whose immigrant English is far from perfect) replies, "Did I vant $1.85 a day? Vas dot a high-priced man? Veil, yes, I vas a high-priced man." (Taylor, 1911, p. 44). Taylor continues by saying that if Schmidt is an expensive man, he will start loading iron bars onto a carriage starting the following day, just like he is told. Taylor points to the new supervisor and asks, "You have seen this man here before, haven't you?", to which Schmidt replies, "No, I never saw him." By thus including Schmidt in the discussion, Taylor reveals his offer:

> Well, if you are a high-priced man, you will do exactly as this man tells you tomorrow, from morning till night. When he tells you to pick up a pig and walk, you pick it up and you walk, and when he tells you to sit down and rest, you sit down. You do that right straight through the day. And what's more, no back talk. Now a high-priced man does just what he's told to do, and no back talk. Do you understand that? When this man tells you to walk, you walk; when he tells you to sit down, you sit down, and you don't talk back at him. Now you come on to work here to-morrow morning and I'll know before night whether you are really a high-priced man or not. (Taylor, 1911, pp. 45–46)

Taylor increased Schmidt's wages by a whole 60%, but at the same time, he was able to improve the man's productivity from the usual 12 tons of moved iron bars to 47 tons per day, that is by nearly 400%. Taylor and his assistants had come to the conclusion that with the help of rationalization, and the optimization of work, workers should be able to move about 47 tons on a daily basis, without the work pace resulting in any long-term problems. However, Taylor did not think it wise to implement this change in one go, because he was afraid of extreme backlash from the workers. This is why Taylor chose a financial reward for a worker who would probably react the most suitably, and who would be set as an example for others. Schmidt's obedience was rewarded with a hefty increase in his wages, which piqued his colleagues' interest. After this, Taylor was able to get other willing workers to obey the new rules.

To sum up, it can be said that Taylorism strives to find a balance between the goals of an individual and the goals of the organization, by rewarding workers individually based on the achievement of production goals, and also for submitting to the instructions coming from supervisors. This way, an individual is able to improve their financial rewards while the organization gains

optimum efficiency and productivity. Motivating individuals with wages tied to results and obedience is a part of classical organizational theory. Individuals react to incentives which help them improve their own position. Taylor emphasized that workers are not necessarily interested in achieving organizational goals, but rather in strengthening their own financial position. Scientific management had an individualistic and utilitarian view on people. Taylor offered higher wages first, and only then stated that the worker should adhere to the production goals related to the new wage level. In reality, there were no alternatives to high-tuned efficiency, even though it was presented as an opportunity for satisfying personal ambitions. This perspective is close to the image of individual life projects, as outlined in Weber's *The Protestant Ethic and the Spirit of Capitalism*, where each modern individual strives toward a higher presence with the help of financial success. Organizations provide a certain opportunity for this with the help of upwards-progressing remuneration. In the theory of bureaucracy as well, a linear, upwards-progressing career is an integral part of the hypothetical relationship between an individual and the organization. The flip-side of the coin is obedience to the organization's rules and guidelines. A contemporary worker is not expected to question the plans and orders of their superiors. An individual stops using their own critical voice and, in return, gets an opportunity to participate in an upwards-progressing life project offered by the organization.

2.3.2. ORGANIZATIONAL MANAGEMENT

Classical organizational theory emphasized the systematic nature of the management of an organization. The ideal was to have a perfectly ordered, hierarchical organization, which could be managed through impersonal techniques and methods (Morgan, 1997). As Weber highlighted in his work, in rational bureaucracy, administration is not based on a God-given right or the principle of monarchical leadership of those in power. In bureaucracy, administration is legitimized by acting in accordance with objective rules, which are controlled by a precise division of work tasks. The director uses power in their position as an office-bearer on the highest level of the hierarchy. That role is limited by organizational rules, guidelines, and objectives, which affect everyone equally. The director is a part of a rational machine, which they will guide and monitor as impersonally as the employees of the operational level. Administration is not based on traditional power structures, networks of influence, and neither on the director's personal charisma. The director of a bureaucracy puts their own person and their subjective motives aside. They are expected to do so. An impersonal approach to the

opportunity to influence that the position provides is one of the characteristics required from directors. Even the top management of an organization must not deviate from neutrality, which, from a rational perspective, affects everyone, and thus creates a basis for an organization to operate efficiently and purposefully.

Weber's description highlights the systematic shaping of an organization's structural features, division of labor, and hierarchical accountability relationships as a part of the construction of a functional business or a public bureaucracy. In classical organizational theory, Fayol's writings bring us closer to an executive's work. Fayol's (1949) theory is close to Weber's vision. However, the focus within the text is from the perspective of the director of a large company. Fayol himself had worked as a managing director; he was the only one to do so of the core three classical theoreticians. His writings highlight the functions required from a general manager, through which an organization is able to strengthen and maintain its unity and efficiency. The different parts of a director's work, as outlined by Fayol, have often been summarized as Planning, Organizing, Staffing, Directing, Coordinating, Reporting, Budgeting, or as the acronym for these words, POSDCORB. On the other hand, in Fayol's theory, the position of power of the top-level management is a prerequisite for functional ordering.

Authority must be concentrated within the formal management. Fayol makes it clear when he highlights in his own 15 principles the clarity of accountability relationships from the manager downwards on the chain of command. While Weber tries to subdue the role of strong individuals in the administration of an organization, Fayol emphasizes the position of power of a director as one of the fundamental pillars of a hierarchical organization. There must be one leading figure, who is responsible for top-level planning, and communicating strategies to the organization. This creates a role for the supreme leader, wherein their own intellectual and political skills are emphasized. Therefore, Fayol does not imply that rules are applicable for everyone. Instead, he considers it necessary for an organization to have an undeniable focal point, where plans and messages originate from, although a director must still act impartially, in accordance with rules and responsibility structures. Either of these aspects must be treated fairly. In this respect, Fayol, too, wanted do dilute the impact of a director's personal views and whims on the daily organization of a company. In their position of authority, a director was still subjugated to the organization's rational structures and operating principles.

Fayol saw that the concentration of power made organizational relationships and management clearer. Taylor had proposed that managerial functions could be divided into sections, and responsible people could be appointed for any given group, instead of always

having the same one person acting as a manager. He thought that managerial work is a similar activity to actual production work, and thus could be split into segments. Taylor spoke of activities or functions in a similar way as Fayol; his objective was to achieve efficiency, by planning a division of labor also within managerial work. This could apply to people who are specialized in planning, and the scientific definition of work tasks, personnel selection and training, communication, collaboration between departments and individuals, and the measurement and monitoring of performances. As far as the management of an organization is concerned, such a perspective would denote a particular kind of technocratic staff, who would each do their share of the management process. The problem with this is that no-one would take total responsibility for how the organization is managed. Moreover, in problem cases, there would be no superior body of authority, who could help with solving deadlocks in situations of ambiguity or discord. The dispersal of management which Taylor suggested did not get enough of a positive response in analyses of general management. Instead, it was Fayol's view that became the leading description of the most important functions of a manager's work, necessary for ensuring the efficiency and united activity of an organization, while being most fitting with the spirit of the classical theory.

In classical theory, power has been concentrated on top-level management, who is responsible for the functionality of the whole, in a situation defined by the organizational structure, hierarchy, and standard operating procedures. Any person using supreme administrative power is to be understood as being embedded into organizational charts, and on other presentations specifying accountability relationships. The director's role also includes looking after the spirit of the company or department. Fayol referred to this with the term "esprit de corps," which denotes the cherishing of a corporate spirit (Fayol used the term "body corporate" to refer to a unit with identical unity, created by the organization). In addition to a hierarchical role of a commander, strengthening the organization's work atmosphere is also the manager's responsibility. However, this clearly remains in a tertiary position compared to the clarity of a hierarchical chain of command, and the concentration of power; both in Fayol's works and elsewhere in classical organizational theory.

Because the regulations and messages from the top-level management move downwards via various levels of accountability relationships, as per the hierarchical structure, each level of the organization will have their own administrative part to play in ensuring the functionality of the organization. Indeed, Fayol emphasized that each worker participates in the management process. Managerial tasks continue after the top-level management has made decisions, and issued relevant instructions. The manager of each level and

department will take these forward. They are responsible within their own circle of influence for these tasks to be carried out in accordance with the objectives. This continues all the way down to the floor level. *An executive shares their managerial work with their subordinates, who, in most cases, are themselves the managers of their own department, or leaders of their group*. Managers manage their subordinates, who are managers at their own level and within their own group, and assume the same role as the subordinates in a professional relationship with their supervisor. This is how hierarchy structurally guide each office-bearer to act as a manager on one hand, and in a role of a subordinate on the other hand.

2.3.3. THE RELATIONSHIP BETWEEN ORGANIZATION AND ENVIRONMENT

Classical organizational theory is often described as a theory of a closed system (Scott & Davis, 2006). This denotes the fact that this approach does not pay attention to the environmental factors of an organization; instead, it is assumed that an organization operates in a similar way regardless of what kind of market situation or societal environment it happens to be in. On the other hand, some indirect references are visible in classical theory, regarding the role of the operating environment in an organizational analysis.

Weber's theory of bureaucracy is a part of a more general conceptualization from the early 20th century perspective. According to Weber, rationalization is a process which inevitably spreads to areas previously defined by traditional values or religious ideals. It is a part of the modernization process, where the organization of the economy and public operations transforms into an impersonal process guided by bureaucratic principles. Administration and management are transferred to the confines of rational arrangements, or arrangements perceived to be rational. In this case, it is no longer possible to rely solely on a "gut feeling" in organizing work; instead, systematic methods for the management of work tasks come forward. Business owners delegate managerial tasks to professional managers and supervisors. Each becomes specialized in their own area of expertise, depending on the division of labor and the hierarchical structure of a company.

Organizations rely on bureaucratic principles if they wish to have efficiency and results. Bureaucracy is the norm toward which the efficiency requirements of the contemporary society, as well as the general requirement of rationality, drives various organizations arising from different starting points. A student of Weber's, Robert Michels (1911–1914), drew attention to this phenomenon in his publications about the iron law of oligarchy. Michels was interested in how ideological organizations transform into bureaucracies over

time. His argument was that any idealistic or entrepreneurial activity will, at some stage, transform into a bureaucratic organization, the administrative efficiency of which will run over its original goals.

This process is often evident in the growth development of small companies, for example. The business operations formed around the entrepreneur's business idea and persona initially progress without any rational structures. The entrepreneur has the necessary know-how about the company's products, markets, and staff, required for successful business operations. An owner-entrepreneur gets information directly from different stakeholders and staff members. The coordination of staff members is also painless, because communication in a small organization is possible directly between one individual and another. As the organization grows, and as the operations become diversified, the informal organizational model built around the entrepreneur will experience external pressure. The entrepreneur can no longer control all of the information. They can no longer be familiar with all members of staff, as the organization increases in size. Operations expand geographically, and direct contact with various offices is no longer possible like it used to be.

The solution is the construction of rational structures and operations. An entrepreneur gives the task of day-to-day administration to professional business management. The division of labor becomes clearer, and the company will have separate departments for marketing, product development, and manufacturing. Within the staff, cost accounting, information technology, and personnel management start to serve the decision-making processes of general management. The organizational structure is presented in charts and accountability relationships, which make power relationships and channels of communication clearer. An organization's communal integrity can be strengthened by defining the corporate culture, values, and mission of the organization. An organization can also try to clarify its external identity by systematically developing its forms of expression such as the logo, the name, and the overall corporate image. A growing organization that is becoming more diversified needs symbols that promote and convey a sense of unity. *From a societal perspective, it can be said that in classical theory, the environment of an organization is comprised of other rationally managed organizations, and that in order to survive, an organization has to rely on institutionalized bureaucratic principles at some point in time.*

The eminence of bureaucracy might have had some connection with the developmental stage of the industrial economy in the late 19th century. Weber, Taylor, Ford, and Fayol has all been influenced by the organizational challenges brought along by increasingly condensed industrialization. At that time, mass production was just about to make a breakthrough. There was a large demand

for products meant for large groups. The first threshold was the company's ability to provide their customers with a sufficient amount of products. It was a time when production-driven economy was developing. On the other hand, particularly Taylor's and Fayol's own background lay in industrial manufacturing, which emphasized stable production levels. Because the products from these fields of business where the basic products of the beginning of the processing chain, it was important for customers to have a steady supply of the goods or materials essential for their own business operations. Taylor's Betlehem experiments were conducted in a situation when due to low market prices, the steel factory had stored iron bars to wait for better times. Later, the war between Spain and the United States in 1898 increased the price of iron, and the steel factory wanted to move the iron it had stocked up to the market as efficiently as possible. For this, the efficiency principles of Taylor's scientific management were needed.

From the perspective of business economics, classical organizational theory emphasizes the stability of production over the market demand. Fayol, for example, emphasized the central role of planning in the general management of an organization. According to him, an organization and its management had to be flexible in this matter, allowing for changes in the circumstances. He stated that "[t]he plan of action rests … on future trends which depend partly on technical, commercial, financial and other conditions, all subject to change, whose importance and occurrence cannot be pre-determined. … The plan should be flexible enough to bend before such adjustments, as it is considered well to introduce, whether from pressure of circumstances or from any other reason" (Fayol, 1949, pp. 43, 45). Fayol's point of view could be translated into modern language by saying that he highlighted the need for evidence-based strategic planning. Plans were supposed to be based on facts and real-time information.

However, the underlying goal of planning was to ensure the continuity of production. A rationally organized company or a public institution acts as a device for achieving steady, reliable production. A company is able to manufacture products for the market that are of uniform quality. An organization of public administration is able to serve citizens impartially and without interruptions. These were the core objectives in the organizations of the late 19th and early 20th centuries. Since then, the economy has changed from a mass market toward more unique and varied products and services. Nevertheless, maintaining a steady quality for the customer market is one of the most important performance criteria of industrial or service organizations. Organizations are assumed to ensure that they can provide uninterrupted, undisturbed service for their customers. Even though products have become more unique, the business operations of private and public operations are still

evaluated based on their reliability. Customers assume that many organizations act in accordance with bureaucratic or classical principles, which are provided to all clients in a similar way, regardless of the human, environmental or situational circumstances that the organization faces (Ritzer, 1993).

2.4. Summary and Discussion

The construction of classical organizational theory was influenced by two branches. Their premises for the analysis of organizations, organization, and management were different in several aspects. The practical branch was created through close observations of the management and development of an organization. Taylor worked as an efficiency consultant for industrial organizations; Fayol was the managing director of a large mining company. Earlier in his career, Taylor had worked at workshops, in various roles, from a basic worker to a supervisor, all the way to the foreman of a workshop. Fayol, in turn, had a prestigious career in the mining industry. Both of these men possessed personal experience from organizational life. Both Taylor and Fayol were also involved in engineering. Weber, however, was purely a social scientist. He was very active in the fields of law, social sciences, history, and religious studies. In addition to all that, he was interested in economics.

The various backgrounds also influenced the relationship that the different branches and their developers assumed toward organizations. In the practical branch, the pioneers saw themselves as a part of the practical managerial work in an organization. In other words, they were getting their ideas from practical circumstances. However, the sociological branch had a more distant approach toward an organization. Weber tried to understand the general characteristics of rational organizations without ever becoming practically involved, for example as a manager. His level of analysis was the society. Weber's method was more interpretative, that is he aimed to describe how a new social institution, a bureaucratic organization, looks from the perspective of the actors involved. However, an organization was, above all, a scientific phenomenon, which had to be analyzed with the help of available sociological theories and methods.

For Weber, bureaucracy was a typical outline of a new social institution, a formal organization. Weber was not interested in how bureaucracy is born in practice, or how it is maintained or "managed" in day-to-day operations. His primary goal was to outline a new social phenomenon in its general or ideal form. On the other hand, Taylor and Fayol emphasized the significance of managers and managerial skills. For them, rational organization

required the creation of a new professional field, which had not appeared in previous methods of organization. Taylor's and Fayol's writings strongly emphasize the idea of a division of labor between basic operations and substantial know-how, and administrative-managerial tasks. Management was to be separated into its own professional sphere, where know-how related to planning, implementation, staffing, training, and monitoring could be construed and shared. A rational organization requires rational management, and professional and competent executives in charge of the latter. Fayol in particular made great efforts to make administrative management an academic subject, but Taylor was also convinced that scientific management is suitable as a basis for the training of a professionalized cadre of executives and leaders (O' Connor, 1996).

Taylor and Fayol were certain that their paradigm of practice was robust, due to the positive effects it had on performance in concrete cases. Both of them had achieved improvements in the functionality of the organizations, and considered these successes to have happened, thanks to classical organizational theory. However, neither of them had a university degree. They did not have an outright position among the teaching staff at any university or business school. Taylorism and Fayolism spread mainly through communities and followers dedicated to these theories. Weber, on the other hand, was a full member of the German academia. Although he had to give up lecturing due to his nervous breakdown, he still maintained his influential status in academic circles. Weber was not interested in practical consultancy tasks. His ambitions were directed toward political and social lives. The theories of rational organization and protestant ethics were partly contemporary analysis commenting on the policies of the time. On the other hand, Weber emphasized the impartiality of science, and its independence from the needs of political, governmental, and financial power. Theory is developed for the sake of science. The task of sociology is to interpret, generalize, and present societal reality as it is at a given time (Table 2.1).

The different premises of the two branches do not exclude the fact that all of the developers of classical theory were writing at a time when industrialization and the development of nation states were rapidly changing the societal scene. Enlightenment ideas were materializing as a rational way of thinking was taking over in areas previously ruled by monarchism and religiosity. It is interesting to note that all three of the core authors came from a background that combined a traditional and a modern world. Taylor, Fayol, and Weber each came from a middle-class, wealthy family. They had a connection with modernizing organizations through their fathers' professions. Taylor's father was a lawyer, Fayol's father an engineer, and Weber's father a lawyer as well. Weber's father worked as an official and a politician in the Preussian Kingdom and the early

Table 2.1. Comparison of the Two Different Branches of Classical Organizational Theory.

	Practical Branch	Sociological Branch
Developers	Practical developers and managers; engineers	Academic scholars; sociologists
Relationship with organizations and managing	A part of the practical managerial work	Analyzing organizations as social and cultural phenomena
Concept of an organization	Rational systems, which require professional managers to function	Rational institutions, which follow established operating procedures and structures
The role of the theorist	A consultant-like approach, improving practical management	Withholding value judgments, a general interpretation of organization and management

German Empire. All of them had a very bourgeoisie background. On the other hand, they also experienced strong religious influences. Weber's mother was a Calvinist, and Taylor's mother was an active Quaker. We know that Fayol went to a school run by missionaries, which influenced his development to a great extent. The religious upbringing that emphasized strict discipline was probably the old world that the trio wanted to separate from, each in his own way. Among other things, Fayol notes that before the emergence of a rational organizational school of thought, the organization of work was based on general moral principles, such as the Ten Commandments. In Weber's work, a clear connection is visible to his background: his Calvinist mother, and his Preussian, political-lawyer father. Taylor's pedantic nature and his emphases within scientific management theory have made many people view Taylorism as a struggle between religious moralism and industrial modernism.

It is interesting also to note how Taylor emphasizes in his text that Scientific Management does not consist of disparate methods and techniques but should be understood as a new type of philosophy to managing and organizing. He uses frequently the word "philosophy" to underline the notion that the general rationalistic-scientific ideology related to systematization, calculation and optimization and so on, forms the actual basis for a new type of framework for organizational relations. Taylor even goes in the end of the book as far claiming that "the really great problem involved in a change from the management of 'initiative and incentive' to scientific management consists in a complete revolution in the mental attitude and the habits of all of those engaged in the management, as well of the workmen" (Taylor, 1911, p. 131). Although Taylor's "philosophy" is more akin to an unreflected engineering rationality than any consciously fleshed modern philosophical school or paradigmatic tradition, it nevertheless

suggests that for Taylor the rational-formal approach was grounded in a distinct worldview or mentality that was more than merely a sum of the techniques. This kind of ideational foundation for classical organization thinking could be even seen as a rough, embryonic version of the ideal type interpretation Weber provides in his theory of the bureaucratic form. The potential scholarly source of or inspiration for Taylor's (rational) "philosophy," however, remains unclear.

Similarities between the authors and their position in the emerging modernity notwithstanding, it is important to emphasize that the three most important developers of classical organizational theory were not acting consciously towards the creation of a new theoretical school of thought. First, they lived at a time when social sciences were only beginning to diverge into different academic fields. Economics, political science, and sociology were only just separating. Weber was later renowned as a classic author of sociology. Taylor and Fayol mainly addressed their writings to managers, decision-makers and representatives of public authority. No organizational theory or relevant theories on business management or public administration existed. Furthermore, the trio did not refer to each other's works. Fayol references Taylor once in his book. Weber, despite having been interested in the dynamic nature of the economy of the United States, would hardly have paid attention to some engineering consultant from Philadelphia, even if he had heard about him during his visit. Taylor hardly referenced anyone else at all. The trio acted and wrote independently of each other.

Classical organizational theory was created through later reconstructions, wherein the works of the three men were bundled together. The reconstruction took place in the 1930s and 1940s, once actual organizational theory became an academic discipline. For example, Gulick and Urwick (1937) compiled a book, which included Fayol's text, among others. The wider public became aware of Weber's theory of bureaucracy when Talcott Parsons translated Weber's works into English (Weber, 1968, 1976). Through this, Weber became a sort of a landmark figure for the early organizational theory in the 1940s, whose model of bureaucracy provided a starting point for sociological theorization and critique. Taylor's theories had been available already before, but they had had an influence mainly in practical management methods. Taylorism, and later also Fordism, became a part of the economic history of the Western world. They were tied to other early 20th century doctrines on organization only at a later stage, when theoretical self-awareness became greater.

Categorizations have their drawbacks. Because the lines are drawn ex post facto and somewhat arbitrarily, some significant thinkers could remain excluded from the mainstream. That happened with Mary Parker Follett, for example (O'Connor, 1996). In the

1920s, Follett wrote about organizations, companies and management in way which made it difficult to position her in temporally linear sequencing (cf. e.g., Follett, 1918). Follett was considered to be one of the representatives of classical theory, mainly because her writings were included in Gulick's and Urwick's book published in 1937. On the other hand, she was been viewed as a proponent of the post-rationalist perspective of the human relations school. Follett, however, evades from these definitions. Her mercurial position may have had something to do with her having been a woman. She also entered organizational theory from another field, social work. Follett's work has direct references to other fields of human sciences, such as philosophy, psychology and political science. This is different from the classical trio, who rarely rely on other scientific fields than engineering, or, sociology. Follett approaches organizations as social communities whose divergent interests and goals should be unified. Follett accepts conflict in a way that becomes common in organizational theory only in the 1980s. Even more so than Taylor, she has an eye for considering the needs of the workers, and in general for the process-like or dialectic nature of organizational behavior. Follett rationalized her views by noting that siding with the workers does not mean being opposed to the management. Management and employees are relationally bound together.

When studying classical or early organizational theory, it is wise to keep in mind that the classics have partly been invented afterwards, to suit the field's unfolding self-understanding. Suitable authors have been accepted into the theoretical corpus of the field, represented in standard textbooks and historical reviews. Classical organizational theory has been shaped in such a way for it to fit the mold of the story people want to tell about the historic development of the study of organization, management and administration. The perceived inferiority of the early organization theory of Taylor and Fayol is assumed to sustain the idea of progress in theory development. However, the united front of the classics is interrupted by thinkers who do not fit in with the mainstream school of thought, such as Mary Parker Follett, but also more centrally positioned social scientists such Pitirim Sorokin, Parsons' colleague at Harvard (Zafirovski, 2001). These thinkers show that the development of an academic field is not merely a simplified succession of separate schools of thought. In addition to the established paradigms of an era, other perspectives and voices have also had a latent influence on the long-term maturation of the field. It is just that certain voices have gained a foothold in the development process of theoretical ideas and concepts, while others are being marginalized and suppressed from the canonical narrative. Alternative views might get the attention they deserve only many years after having been expressed. This happened to Follett, as well. Her theory was rediscovered in the 1990s (Graham, 1995).

By then, critical, interpretative and post-modern organizational theory had paved the way for approaches that emphasize the struggles between different groups, and promoting an individual's own space for action, instead of the requirements of the assumed systems rationality. In a way, Follett was ahead of her time, but on the other hand, it can be said that classical organizational theory was behind of Follett's ideas. The question is what we consider to be a sufficiently unbiased frame, which would help to assess various theoretical perspectives. In order to better understand the reconstruction of the early or classical organizational theory, it is fruitful to become acquainted with the blossoming of modern organizational theory in North American universities, business schools, and organizations.

CHAPTER

3 Cultural Modern Organization Theory

3.1. The Development of Modern Organizational Theory

The term "modern" denotes both the special characteristics of well-developed Western countries, as well as the method of social sciences for interpreting social phenomena. In sociology, the term modern society refers to the institutions of industrialized countries, which include a market economy, a bureaucratic public administration, and a nation state and on the other hand to social values, which are reflected in an atomistic individual identity, a democratic form of government, and secularized beliefs (Ahern, 2010; Heiskala, 1993). As previously stated, industrial modernization created the contemporary rational organizations. Classical theory dealt with the bureaucratic, formal organizations as a part of the transition toward a modern society. Its objective was to outline those structural and fundamental features which were related to rational organization. Modern organizational theory in turn aims to analyze the operation of rational organizations from the middle of the modern era. It provides an interpretation from within the modern era. The most important problem is not efficiency but achieving organizational homogeneity, unity, and cohesion in a situation where a modern division of labor has separated individuals and systems far away from each other. The segregation of tasks and professional specialization described by bureaucracy and scientific management broke down the simple structures of agricultural and artisan

communities. As a result of professional specialization and organizational hierarchies, the former social homogeneity disintegrated. Economy detached from the other subsections of society. The challenge of organization was to rebuild the social communities and relationships between those involved in a situation of modern diffusion.

The core background influence on modern organizational theory was the sociologist Talcott Parsons and his structural functionalist theory. Parsons was one of the most influential (if not the most influential) social theorists of his time. Parson relied on classics like Weber, Durkheim, and Pareto, but he also developed his own interpretation of social organization. His influence on organizational theory was considerable both indirectly and directly. For example, Parsons wrote influential articles in the opening numbers of the journal *Administrative Science Quarterly*, which was established as the flagship of organizational research (Parsons, 1956a, 1956b). Indirectly, Parsons' theoretical work has had an effect on the development and establishment of modern theory through the type of general social theory he advocated and helped to solidify: structural functionalism.

Structural functionalism is a theoretical approach which tries to explain social organization through feedback loops that flow from the consequential outcomes of ordering back to the articulations of the necessary forms and contents of social action (Casey, 2002; Holmwood, 2005). The main emphasis is on the types of organized patterns that guarantee the state of balance of organizations and other social systems. The construction of an organization requires that individuals and groups are bound by shared norms. The learning and internalization of norms are prerequisites for operating inside a system. On the other hand, systems are always comprised of free individuals, who join together voluntarily for achieving the shared goals. On the level of the entire system, an organization or a society needs various mechanisms for completing basic functions. According to Parsons (1951), these include adjustment to the wider environment, setting goals, integration within the organization, and the basic models determining the operating methods of the system. Among the basic tasks, deep-level models and integration are internal tasks, while setting goals and adjusting to the environment can be viewed as external functions. Altogether, these form the framework known by the combination Adaptation, Goal attainment, Latency/pattern maintenance & Integration (AGIL), which describes the operational dynamics of social systems. This rendering was intended as a theory of a societal level, but it is applicable also for the description of the survival tasks of various subsystems, such as companies and organizations.

Functionalism

Functionalism is an approach that aims to explain the existence of organizations and other social systems through the societal tasks or functions they perform. Organizations from various sectors have their separate societal tasks. For example, churches have a task related to the spiritual and moral unity of society, and its actions can be assessed from this premise. On the other hand, lower level parts of organizations have various functions that influence the whole. For example, the task of the culture of an organization is to create a way of thinking and acting that would unite different individuals. The functionalist explanation is teleological: it rationalizes the existence of a system through its beneficial consequences that are evaluated after the fact. The positive consequences of actions or operating principles explain the existence and validity of the phenomenon (Holmwood, 2005).

Modern organizational theory follows the general structural functionalist theory insofar as its goal is to try to understand the obstacles to social unity and wholeness and to highlight ways in which organizations could become better adapted to the challenges of their complex environment. This concerns both the relationship of the creation of an internal cohesion within the organization in relation to its groups of employees, production technology and values, but also in relation to external operating systems such as the markets and the state. The analysis of an organization as a system adjusting to the forces surrounding it on various levels is what tints the modern theory. Formal organizations make their own contribution toward the broader project of a social integration and institutional order by combining technical-rational and moral-normative aspects in their own microcosmoses. From the perspective of an organization, survival in contemporary contexts means that an organization is able to absorb and combine both rational and non-rational aspects in its activities and structures in such a way as to gain a balanced exchange relationships between various systems, both internally (employees) and externally (operating environment).

On the other hand, it should be noted that Parson's general theory was developed in two stages. Earlier work (Parsons, 1937) was focused more on the analysis of the actions of individuals and groups from a norm-based idealist perspective. Parsons aimed to formulate an analysis of social behavior, which would combine the cultural norms theory with economic goals and calculations.

According to him, social actions always include a subjective element, which cannot be bypassed. The synthesis introduced in *The Structure of Social Action* (Parsons, 1937) advocated an interpenetration of rational and cultural or subjectivist dimensions of social action, where the function of cultural norms was to lay a deontological foundation for the morality of action otherwise left into a Hobbesian state of nature in its utilitarian outlook. By 1951, however, Parsons' method had moved from normative-moral theory of social behavior to the level of systems ecology. In the book *The Social System* (Parsons, 1951), the author presents a general systems theory based on the AGIL framework, with the perspective of a hierarchy of systems, all the way from a societal level, reaching to individual personae. Like other systems theorists (Boulding, 1956; van Bertalanffy, 1968), Parsons built his approach on the analogy between biological and social systems.

Similarly, modern organizational theory can be divided into two stages of development: the cultural modern and the systems theoretical modern. The cultural modern developed parallel to Parsons' normative action theory in the 1930s. It highlighted the informal values and communities of organizations, as a distinction from the formal organization emphasized by scientific management and bureaucracy model. Formal organization is in an interactive relationship with the informal organization, which creates the basis for the workers' motivation to participate in the organization in a socially meaningful way. On the other hand, formal organization often becomes modified into something other than originally planned, due to cultural influences. In ideal cases, the formal structures and management techniques are compatible with the informal structures and values. Forgetting informal characteristics creates a state of imbalance, where an organization would not be able to operate efficiently. The main developers of this approach were the human relations movement researchers at Harvard, Elton Mayo and Fritz Rothlisberger, as well as the developer of the cooperative organizational theory, Chester Barnard and at Columbia, the sociologists Robert Merton, Philip Selznick, Alvin Gouldner.

The systems theory version of the modern approach highlights even further the adaptation of the system level of an organization. Internal integration and the motivation of work communities do not become as important as in the cultural modern. This approach analyzes the consideration of an organization's external environment within its internal construction. The emphasis does not lie in the construction of internal unity and balance but instead in the adaptation of the organization's structural form and the relationships between the parts of its subsystems to the shape suggested by external circumstantial factors. The technical and financial adaptability approaches of the external operating environment thus gain a more

important role than in the cultural modern. Subjective elements adapt to the expected values in accordance with the external adaptation tasks. In addition, the latter approach scrutinizes the actions of individuals primarily from the decision-making perspective, which, in part, also takes the analyses toward the consideration of rational factors. The main question is how the technical arrangements of an organization could consider and develop subjective behavior in various decision-making situations. This approach is represented by the structural contingency theory (Woodward, Burns & Stalker, the Aston school) and Simon's decision-making processes.

Both approaches are connected through their commitment to the assumptions of modern social theory and structural functionalism. Organizations are viewed as organized wholes, which aim toward a state of balance. Tensions and contradictions are temporary. By their nature, organizations are also systems where the role of the individual is to adapt to the prevailing order. Organizations are larger than their individual members. At the same time, it is assumed that organizations can be researched objectively. In addition, this information, which is considered to be objective, can be used to develop organizations toward a better level of functioning, in line with an evolutionary view of human history. Organizations of the more advanced Western countries, such as modern corporations, are used as a measurement of development. The development of organizational forms is evolutionary, and it progresses from primitive methods of organization toward the organizational models found in rich industrial countries that have demonstrated their survival skills.

As Reed (1996) states, in the early 1950s, modern functionalism gradually changed, from a cultural approach analyzing informal organizations under the wing of contemporary sociological theory, to a more rational systems perspective. While cultural modernism is motivated by the inquiry into the limits of the rational shaping and planned management of organizations, the later systems modernism starts to outline organizations as tangible entities that adjust deterministically to their external environment. Even though already the human relations movement of the cultural modern relies on the view of the mutual dynamics of technical and cultural features in the integrated social system of an organization, it is only the later, "systems functionalism" that is explicitly connected to the idea of adjustments of organizations to higher level societal systems. This development started to lead functionalism even more clearly toward a positivist direction, peaking in the so-called contingency theory (Donaldson, 2001), which aimed to describe the relationship between the environment and the organization as compliance between objective variables. The critique of internal formality transformed into the rationality of the external context (Table 3.1).

Table 3.1. Modern Organization Theory: Cultural and Rational Variants.

	Focus	Theoretical Emphasis	Principle Theories and Theoreticians
Cultural modern	The non-rational or cultural features of organizations and their actors: values, norms, social relations, and informal groups	Alongside the role of the formal or technical organization, there is a need to take into account the dynamics of the informal organization as well as other cultural structures affecting organizing	• Human Relations School (Harvard): Elton Mayo, Fritz Roethlisberger • Cooperative theory of management (Harvard): Chester Barnard • Columbia School of Organizational Sociology: Robert Merton, Philip Selznick, Alvin Gouldner
Rational modern	Environmental factors associated with the adjustment of the organizational system, social and psychological structures affecting decision-making	Various subsystems and subjective behavior within an organization needs to be subsumed to the overall form necessitated by the adjustment to the environmental context	• Structural Contingency Theory: Joan Woodward, Tom Burns, and George Stalker; Aston School • Decision-Making School (Carnegie): Herbert Simon (James March, Richard Cyert)

3.2. Cultural Modern Theory

The birth of the cultural modern theory would be impossible to outline without telling the story of the Hawthorne studies (Gillespie, 1992). Not only was this a landmark project for organizational theory, it was also an incomparable series of field studies in human sciences. The studies were carried out at the Hawthorne factory of the company Western Electric, situated on the outskirts of Chicago. Western Electric was a manufacturer of electrical parts, who acted as a subcontractor for the large phone company, Bell Systems. The factory at Hawthorne was used for manufacturing telephone equipment, various telephone exchanges, and phone cables, which were used in the local telephone facilities of the Bell-corporation, which was practically in a monopoly position. At its completion in 1906, the factory was technologically and architecturally one of the most modern plants of its time. When the studies began, approximately 29,000 workers lived in the area, the majority of whom were first- or second-generation immigrants. Many Polish

and Czech immigrants were for example working at Hawthorne in the 1920s. The factory continued operations successfully all the way until the year 1984, when it was dismantled, and a shopping center was built in its place.

The Hawthorne studies began with a Taylorist set-up. The company wanted to investigate the effect of lighting on productivity. A series of experiments was designed for this purpose, and the studies lasted from 1924 to 1927. Hawthorne was a representative of the most advanced factory architecture of its time, so it was natural for the company to have been interested in the effects of the physical environment on efficiency. However, the experiment itself was basically Taylorist, because the attention lay in the rational optimization of work with the help of lighting. In the factories of that time, some of the lighting was natural light. The experiment studied the effect of lighting on work, which consisted of assembling telephone devices from small parts. The results of the study were perplexing. Productivity seemed to increase regardless of whether the lighting was sometimes increased, and sometimes dimmed. Only when such low levels of artificial lighting were in use that the workers started to complain about not being able to see what they were doing, did the productivity numbers drop. Otherwise, the lighting did not seem to have a direct effect on productivity, which seemed to be increasing steadily as a result of the test arrangements. The rise in productivity was caused by another factor, which was related to the changed work circumstances brought along by the experiment (Rothlisberger & Dickson, 1939).

The lighting experiments were continued with a more thorough series of studies. At this time, a group of experts from the Harvard Business School (HBS) came to replace Taylorist production engineers as the researchers of this experiment; the former being lead by Fritz Roethlisberger. The objective was to conduct tests on the effects of work arrangements in smaller groups, which were carefully monitored to find out more about the effect of various factors on the variations of productivity. A relatively mechanical work task was chosen as the object of the first experiment as it would produce easily measurable results at a rapid pace. The researchers chose to study the assembly of a phone relay, which consisted of putting together about 35 small parts into one whole device. On average, this process took 1 minute. Working at a steady pace, one employee would assemble an average of approximately 500 relays per working day.

Assembling a relay was a suitable work process for the researchers, who wished to have a clearly distinguishable work task as an object of the experiment. A small test group of six women was assembled for the experiment. The group was created in the following manner: The researchers included two young women, who were known to be friends. Then, each of the women was asked

to include two colleagues they liked into the group. Thus, a natural group was formed, where the workers knew each other and felt the group to be such where they could enjoy themselves even without the experimentation arrangements. Four of the women were of the same age, and all of them were the children of Polish immigrants, as well. The group was transferred to work, from a large factory hall into a separate experiment room. The productivity of the workers was measured with a machine, which registered each complete relay that the women would move via a tube to boxes placed in front of their desks. The group was monitored by a researcher whose task was to observe everything that happened in the room, but also to maintain a friendly atmosphere. The observer was a man who was well-acquainted with the series of experiments (Rothlisberger & Dickson, 1939).

The experiment itself lasted for about a year. The aim was to study the effect of various work arrangements on productivity. The researchers changed the organization of work, for example, by adding breaks to the working day. First, 5-minute breaks were added, then 10-minute breaks, and finally, 15-minute breaks. The breaks seemed to increase productivity. Further on, the working day was shortened, first by half an hour and then by a full hour. The women improved their productivity constantly, while increasing their contractual level of earnings with performance bonuses. It was only when the working time was reduced by an entire hour that the amount of daily production suffered. Otherwise, the total productivity increased. There was something in the organization of the group which made the workers more industrious with their mechanical assembly work. Work efficiency was improved even when the women were given Saturdays off, which were normally half-days at work (Rothlisberger & Dickson, 1939).

Then, the researchers suddenly reinstated the conditions to their original situation, that is, the women were again working a normal working day, without any extra breaks. Initially, the members of the group protested, even though they knew that this change was a part of the experiment. They did not want to return to the large factory hall under any circumstances. After a certain time, the women started to pace their own working days similarly to the previous stages. They also slowed down a bit, in order to make the new arrangements look worse than the previous working rhythm. However, the most important observation made was that productivity did not drop down to anywhere close to the level it was on at the beginning of the experiment. The assembly speed of relays per hour was still about 20% higher than at the beginning. Thus, the improved work efficiency cannot have been caused by factors related to the working environment that were manipulated during the experiment instead the explanation had to be found elsewhere.

At this point, the researchers from Harvard had to weigh various interpretations for the observed results. Because this was not a case of the effect of a single technological factor or of a factor related to the work conditions, the actions of the group would have to be analyzed based on its social composition. The test arrangement itself became a key topic. First, the group had been formed naturally, because the women in it knew each other and wanted to work with each other. In addition, the activities of a supervisor who acted as a researcher gradually built a trusting atmosphere. At first, the women were afraid that they were to be treated like guinea pigs, and that any mistakes would lead to punishment. For example, they did not believe that their wages would increase as their productivity went up. However, the constantly scientific attitude of the observer toward the controlling of the experiment and refraining from hierarchical supervision soon alleviated these fears. The observer started to be considered as a part of the group, not its external disciplinarian. Rather, the observer was more interested in everything that the women were doing, and was involved in the various stages of the series of experiments with them. The relaxed atmosphere was transmitted to the relationships between the workers, as well. The women supported each other. For example, they took turns to help improve the performance of one of their colleagues who was not feeling well, in such a way that the total production remained at a good level (Rothlisberger & Dickson, 1939).

The researchers continued the experiments, but they had already reached the crux of the matter from the point of theoretical development. The efficiency of the workers did not depend on the technical characteristics of an organization instead it primarily depended on its human and social characteristics. A naturally organized, loosely controlled group of workers was encouraged to achieve better work performance levels than the workers controlled by Taylorist methods. This interpretation paved the way toward a more general theoretical approach, where work organizations were analyzed holistically as informal groups formed by the social relationships of individuals and groups, whose actions are controlled by emotional forces such as sense of unity and friendship. From this perspective, Taylor's "scientific" method – as well as the associated abstractionism of economics – is a deficient way of understanding the real socio-cultural dynamics of organization. Rothlisberger and Dickson (1939, p. 569) sum up their critique of the classical-rational paradigm as follows: "A traditional statement of the [human problems of management] frequently distorts the actual human situation in the industrial plant. The workers, supervisors, or, executives, are often considered apart from their social setting and personal history and are treated as essentially 'economic men'. Simple cause and effect analysis of their behavior is substituted for the richer situational in

which their lives are lived and in which the relation of mutual interdependence obtains. As a result, abstractions are treated as facts and an atmosphere of 'misplaced concreteness' results."

3.3. Human Relations Movement

The interpretation of the Hawthorne studies expanded into a general organizational theory on work communities and their management. This program became known as the Human Relations movement. It was mainly Elton Mayo who was responsible for the task. He had the sociological perspective necessary for forming a more general overall picture. Mayo had written about the relationship between the individual and the society (cf. Mayo, 1919). In addition to a degree in philosophy and politics, he was also familiar with medicine and psychology. Mayo had had various academic duties in Australia, and later in the United States, before he was recruited to the HBS in 1926. To be precise, Mayo was appointed to Harvard as an external member, because he had plentiful funding from the Rockefeller foundation, which was close to the industrial circles. Mayo had ideas about the dynamics and development of the relationship between the individual and social organizations and the financial support for carrying out his research program. He only lacked a suitably empirical object. Once Mayo was included in the Hawthorne team, the missing piece was found. It can be said that Mayo brought theoretical depth to the Hawthorne studies while the empirical research at the Hawthorne factories provided a way for Mayo to show how his own organizational views function in practice (Gillespie, 1992).

Elton Mayo

Elton Mayo (1880–1949) was born, studied, and made a short academic career in Australia. He started out as a medical student. However, the studies quickly came to an end, when Elton did not achieve the required performance level during the basic courses. This was a hard piece to swallow, both for Mayo, but particularly for his family, who came from a long line of ambitious doctors. Elton was already considered to be a failure, when he returned to Australia after a year of traveling, and continued his studies, this time in philosophy. Mayo graduated, became a teacher, and progressed all the way to the rank of a professor. The objects of his interest included the new psychoanalytical theories and functional anthropology, applied to societal issues. In 1922, he went on an excursion to

(*continued*)

the United States. During his trip, Mayo met researchers and research funders, and he realized that his analyses related to the role of the individual within a societal stability could well be applied to matters of the working life. Mayo was "at the right place at the right time." HBS was just taking its first steps, and its director, Wallace Donham, tried to build financial, political and academic acceptability for the new school (O'Connor, 1999b). Elton Mayo's appearance into this slot was like an answer to Donham's prayers. Mayo was well networked with the rest of the world of science, and as a social philosopher, brought the necessary theoretical depth to the construction of the academic legitimacy of the early days of the HBS. He also had the support of a wide circle of large companies, which provided money in addition to psychological encouragement. Mayo never returned to Australia. The Rockefeller Foundation financed Mayo's team for 20 years, which makes the fundamental research work of the human relations movement one of the largest research program in social sciences ever financed. Mayo worked at HBS as a professor, and as the head of the Industrial Research Department from 1926 to 1947. Even in his final years, he felt as if he had let his family down. "I should like to meet my father and grandfather in the happy hunting grounds (on terms of complete equality) and to compare and discuss experiences with them." Mayo wrote about his feelings to his sister in 1938 (Smith, 1998, p. 227).

The theory compiled by Mayo and the human relations movement condensed to a few essential concepts (Mayo, 1933; Roethlisberger & Dickson, 1939). The first was related to the distinction between a formal and an informal organization. A formal or a technical organization represented the formal bureaucratic structure outlined by classical organizational theory, and that structure had been created to clarify the arrangement of activities, and make these more efficient. On the other hand, an informal organization referred to the groups or cliques formed by spontaneous social relationships, which did not necessarily adhere to the formal accountability relationships or interdepartmental borders. In a later stage of the Hawthorne studies, it was observed that there were two strong cliques within the department comprised of men. Neither adhered to the hierarchical structure or the division of labor of the formal organization; instead, the groups had members from various positions and departments. The cliques were very tight-knit small

communities. Among other things, the researchers observed that there were clear norms related to the work place and mutual solidarity, which helped to protect the group from demands from the management. It was important to try to keep productivity at a level which did not significantly deviate from the normal level, but which also did not increase to such an extent that the goal level would be made higher. Thus, the workers tried to protect themselves from rationalizations and dismissals. It was the time of the Great Depression. A member of the group who deviated from the efficiency norm was reminded of the suitable behavior in various ways and ultimately, the rebelling member was completely excluded from the clique.

The researchers stated that they had to admit the existence of an informal organization at least theoretically, even though the informal cliques often harmed the achievement of managerial goals. The objective of the human relations movement was the appropriation of the dynamics of an informal organization, and turning the attitude resistant toward formal goals into something that would support the performance of the organization. Because groups were the natural environment where the attitudes and motivations of workers were shaped, management had to try to influence and steer the actions within a group context, for the benefit of the formal objectives. The significance of the social environment of the groups was larger than that of performance-related bonuses, for example, which Taylor had used to achieve the workers' commitment to the methods of scientific business management. Another important observation was that financial incentives do not have as much of an impact as a socially meaningful work environment. The motivating effect of performance-related bonuses did not explain the increased efficiency in the test group of women; instead, it was explained with the combination of a trusting and meaningful atmosphere. From the human relations' approach, the financial-technological view did not prove to be as valid as the approach analyzing the psychological and communal needs of individuals. The Taylorist method of splitting up work processes into smaller parts, and increasing the amount of hierarchical levels in accordance with the bureaucracy model resulted in a disintegration of communal ties in a way that seemed to be leading to unnatural organization methods in large companies. This sort of disintegration could not be repaired by financial incentives or improving the physical or technical details of work, because this was a fundamental kind of a lack of social meaningfulness and communal cohesion.

In sociology, the theories of the human relations movement arose particularly from Durkheim's functional-integrative analyses (Reed, 1996). For Durkheim (2014), industrialized societies broke down earlier homogeneous, immediate work communities into

atomistic islands of areas of professional expertise and separate job descriptions. People were separated from each other as the division of labor and rational organization progressed. The consequence of this was alienation from common values, which Durkheim denoted with the term *anomia*. Anomia refers to a state where an individual has become alienated from the prevalent norms and values but has been unable to create any substitute system of beliefs in its stead. Like Weber, Durkheim was interested in what happens when an increasingly secular modern society moves from religious values toward rational ideals. According to Durkheim, an industrial society may cause alienation, unless a sense of community required by the new type of organization is built alongside the traditional immediate solidarity. The bureaucratic model would not be sufficient for people who, deep down, would want to experience a higher sense of unity than a technical-rational culture could offer to them. The problems at a Taylorist work place met by the human relations movement were analogous to the social pain points of industrialization, as outlined by Durkheim on a societal level; as well as the solutions that were sought after within the holistic features of the social context bypassing the individual level in the informal organization of organizations.

Mayo's interests also included a more psychological approach toward the problems of work communities. Freud's psychoanalytical theory had become widely known by 1920s. Mayo crafted an original interpretation of Freud, which saw not only general anxiety and happiness at work but also political "illnesses" such as going on strike as manifestations of the repression of the unconscious drives and desires. The non-rational behavior of individuals described the deficient consideration of their psychological needs. Citizens and workers did not receive the attention that their deeper psychological conflicts would have required. For these reasons, Mayo (1919) was critical toward some modern features such as democracy and organized labor movement. The true enlightenment of the individual would require aspiring to higher moral ideals instead of focusing on material gains and demagogy politics (Peltonen, 2015). Mayo saw that the real sickness, particularly in the working life, was "a fundamental disorientation to life, or disintegration of the personality, which shows itself in a general disordering of values" (Mayo, 1923, p. 121). The response to this was the therapeutic guidance of workers that would lead the employees back toward psychological and moral enlightenment. Mayo developed this practice in relation to the Hawthorne studies, for example, by extensive interview programs, where workers were able to talk freely about their problems to interviewers who had an emphatic attitude toward them. The objective was to transform the primitive beliefs of the workers, to make them better-suited for the normal way of life

of an organization, which ensured that the individual has better operational prerequisites as a functional member of a community (cf. O'Connor, 1999b).

The human relations movement made a significant contribution to the development of organizational theory by emphasizing informal groups, the significance of natural organization, and the social and psychological needs of individuals. Thus, the researchers at Harvard created a basis for a later study, which developed the topics highlighted in the Hawthorne studies even further. Group dynamics was a separate vibrant object of study, which was subsequently developed by George Homans who had participated in the Hawthorne project. Homans (1951) developed the sociological theory of a group dynamics, relying heavily on his mentor's, Parsons', structural functionalism. He took the Parsonsian terminology of systems to the level of organizational groups and the behavior of their members. Another team of sociologist from Harvard, Robert Bales and Philip Slater (Bales & Slater, 1956; Slater, 1955), presented a model with which it was possible to distinguish the internal interactions and role structures within group dynamics. The social psychologist Lewin (1951) can also be included in the same group of scholars; his force field analyses about the change processes in groups and organizations were published at around the same time. Studies on group dynamics connected the organizational theory's interest in informal organizations, and the systems approach which was gaining popularity, applied on a micro level.

The theoretical analysis of work motivation mainly made progress with the help of psychologists. In the 1950s, Maslow (1954) presented his famous model of the hierarchy of needs, which emphasized the significance of communal and spiritual values in the creation of human motivation. McGregor (1960), in turn, specified the approach of the human relations movement, by formulating two different approaches for the management of an organization, Theory X and Theory Y. Theory X was a Taylorist view of the world, were workers were considered to be fundamentally lazy, but at the same time, reacting to the opportunities of financial rewards. Theory Y, in turn, assumed that people were basically actors interested in their own development, to whom it was worth providing opportunities for releasing their personal potential. McGregor combined Maslow's theory of motivation to the human relations movement's thoughts about therapeutic management, thus specifying and continuing the theoretical approach started by Mayo, Rothlisberger, and Dickson. The themes of motivation and commitment have remained as core issues in the discourses of organizational psychology and human resource management. Overall, the contribution of the human relations movement to managerial practices is primarily visible as the clarification of the theoretical rationale for the

professional role of personnel management within the field of business administration.

3.4. Chester Barnard's Cooperative Theory

Chester Barnard was responsible for the development of the cultural modern theory toward the conceptualization of the organization-level processes and the task of management. Unlike Mayo, he came from a practical background. An engineer, he worked for the phone company Bell, and beginning from 1927, was the managing director of the local phone company of New Jersey. His academic merit was not particularly remarkable, as he had, in his time, flunked the undergraduate course in economics at Harvard. However, he became a kind of a self-learned manager-philosopher, who aimed to convey his experiences in organization and management to a wider audience, through his writings, speeches and various academic projects. When Barnard had already become a renowned speaker at business management seminars, the early organizational theorists at Harvard realized the potential in his thinking for expanding the human relations approach to a more general theory of organization management and invited him to lecture there.

The subsequent Lowell lectures were published as a book, *The Functions of the Executive* (1938). The text became a classic piece in the early formulations of a systematic theory organizational management. This book contains two contributions that are related to two separate lectures given by Barnard. The first part deals with the basic questions of organizational theory, such as the actions of an individual, the coordination of social actions, and the effect of various physical, biological, psychological, and social factors on the functionality of groups formed by individuals, and larger organizational entities. Barnard also outlines the characteristics of formal and informal organizations, as well as the nature of their interaction within the overall dynamics of the organizational system. The second part focuses on the tasks of a manager. It starts various discussions essential to organizational theory, such as those regarding the consequences of specialization according to the division of labor, the motivation of workers, the acceptance of leadership, and the decision-making processes.

Barnard's starting point was to conceptualize an organization as a cooperative system, where free individuals join together to achieve previously agreed goals. The goal of cooperation is to keep the system balanced under the pressure of various internal and external influences. For Barnard, an organization was first and foremost a

system, which aimed to balance its operations under the pressure from various factors affecting it. It is significant that even though Barnard emphasizes the individual, he strongly points out the factors limiting free choice. These include, for example, the biological limitations of humans, or the constraints brought by the physical aspects of an organization, such as its buildings, manufacturing equipment, or geographical location. Free individuals always act in accordance with certain constraints, echoing a sociological or Kantian rather than an abstract liberal-utilitarian view of organizational action.

For Barnard, an organization is a social system, with an informal part in addition to the formal one. The informal organization creates a culture, traditions, social norms and ideals for the community. An informal organization is the archetype of spontaneous social organization, which is born before formal organizations. Without the cultural organization and significance of an informal organization, no long-lasting formal organizations could be born. Barnard is concerned that only very few organizations have survived throughout centuries. The reason behind this is that they have lost their purpose, which, in turn, springs from a functional informal community. Therefore, an informal organization is a prerequisite for a formal organization. On the other hand, Barnard extrapolates that an organization functioning completely informally is an idealistic delusion, because a formal hierarchy will inevitably stem from a community-like organization. In this case, informal relationships and operating methods will become formal. At the same time, however, the informal organization would continue operating, and shaping the actual operating methods, norms and human relationships within the formal bureaucracy.

Barnard's final conclusion is that a formal and an informal organization have a certain kind of dialectical relationship, where each is necessary for the balanced development of organization. According to him, the evolution of an organization progresses as follows (Barnard, 1938, p. 123):

(1) As a result of constant interaction between individuals, routine-like operating methods and unified thinking are created over time, which leads to the homogenization or organization of operations.
(2) This organization starts to involve an increasing amount of people, which leads to the formation of a certain way of life, beliefs, or institutions.
(3) Informal organizations create formal organizations.
(4) Formal organizations make several of the attitudes and institutionalized ways of thinking developed by informal organizations explicit or externally understandable.

(5) Formal organizations in turn create informal organizations.
(6) Informal organizations are inevitable for formal organizations to enable communication, a sense of unity, and the integrity of the individual.

The characteristics of an informal organization within formal bureaucracies are defined through its functions that strengthen the cohesion of the systems level. The status of an informal organization is to function as a repairer of the deficiencies of the formal organization, in the form of communication connections and cultural equality strengthening cooperative cohesion. An informal organization creates homogeneous moral norms for an organization, where the social relationships dispersed by hierarchy and division of labor could function from a stronger basis. Thus, an informal organization does not represent an external world for organizational objectives, whose operating methods are contradictory to the formal organization. Instead, Barnard describes an informal organization as a shadow organization supporting the operations of the formal organization, substituting insufficiencies of formal bureaucracy while the organization strives to adapt to various internal and external system pressures.

Barnard's essay, "Mind in everyday affairs," which appeared as an appendix to the *Functions* book, offers an interesting addition to the cooperative approach. This text is a speech given to the faculty and students of the department of technology of Princeton University. In his writing, Barnard juxtaposes logical and non-logical thought processes. A logical thought process is typical in scientific work. It highlights the individual's conscious thought process, which can be expressed in words or in other symbols. Non-logical thought processes cannot be expressed in writing; rather, these are visible through consequences, including various situational deductions, decisions taken, and generally visible operations. According to Barnard, non-logical thinking is not inferior to logical analysis. It is necessary to rely on non-logical thinking when facing a complicated situation with no time for formal deductions. Alternatively, it could be a situation where an individual makes assessments unconsciously, assisted by their own habits and learned formulae. In his essay, Barnard ponders how the two different ways of thinking suit different operational situations. He thinks that in decision-making situations, and when trying to persuade groups of people, the amount of non-logical elements increases. From here, he can categorize different professions according to the way of thinking these require. For example, the logical approach is evident in the work of a scientist, an accountant and an engineer. Barnard does note, however, that even researchers are often required to have a creative imagination. A non-logical approach, in turn, is required

in the tasks of a politician, salesman, and a jurist working in court. In Barnard's words, it is essential for a state government and the top-level management of an organization to be able to possess both ways of thinking; but in the end, intuitive know-how is more important than logical deduction. Without a non-logical, intuitive understanding of situations, a manager is unable to respond to the various decision-making situations, and to challenges related to the nurturing of social unity. The emphasis on the non-logical side is a direct response to the rational scientific nature of Taylorism, although it leaves unanswered the question of how intuitive deduction works, and whether it could be developed further, for example with the help of training or technical information systems. An entire program of organizational theory, which is currently known as the decision-making school (Chapter 4), was born to deal with this question first introduced by Barnard.

3.5. The Columbia School of Organizational Sociology

In addition to the human relations movement connected to Harvard, and Chester Barnard's cooperative theory, a group of organizational sociologists who were influential in Columbia University was associated with the formation of the cultural modern theory. Robert Merton was the figurehead of the group. He wrote his thesis at Harvard under the influence of Parsons (although first working as an assistant to another professor, P. Sorokin) and, broadly speaking, continued the functionalist approach introduced by Parsons in his own later work. However, Merton (1949/1968) went on to develop his own distinct version of structural functionalism, where the construction of social organizations was aimed to analyze not only conceptually, but also in the light of empirical case studies. Merton referred to this approach as mid-range theory, to distinguish it from Parsons' preference to work with abstract general theory. On the other hand, Merton wanted to refine the idea of the functions of social systems. Some structures of the systems did not operate functionally in all conditions; instead, the various visible and hidden consequences of the systems could also be non-functional. Systems did not adapt directly to the tasks appointed to them; instead, the system dynamics were more multi-dimensional. Organizations were a prolific object for Merton in his quest to further inquire how various functions manifest themselves in actual empirical contexts.

For Merton (1940), organizations were the operating environments for bureaucratic structures. Organizations as functional systems cover bureaucratic structures, meaning that bureaucracy operates within a wider social system. For Merton, the rationality of bureaucracy covers various non-rational features. Those working in a bureaucracy may be professionals in their own role, but at the same time, their ability to be flexible in various situations is weak. A bureaucrat is trained to be inept. Merton also notes that a bureaucrat may become emotionally attached to the administrative system of an organization. The worker starts to view the bureaucracy as their own project, around which an informal community built together by the bureaucrats will form. Technical administrative measures are charged with values and an emotional content. As a consequence, a bureaucrat starts to view themselves as a representative of a cultural group detached from the actual task of the organization. Their actions are aimed toward their own community, and not toward the customer, for example. The bureaucratic format produces consequences for an organization that deviate from the functions.

Merton's students took these theoretical ideas forward. Philip Selznick's (1948) work dealt with a state regional development authority, Tennessee Valley Authority (TVA), which changed from an organization pursuing the New Deal goals of the state into an entity following the views of local agricultural circles. In Selznick's view, taking external interests and values into consideration often leads to the deeper internalization of outside perspectives. For example, the TVA became so closely intertwined with the local agricultural circles that it lost the funding of the state ministries. As an unintentional consequence of adjustment, an organization becomes similar to the reference group it has chosen. Gouldner's (1954) case study about a change in a gypsum plant was attached more clearly to the tradition of the cultural modern. In the plant Gouldner studied, an unwritten agreement had been in existence for a long time between the employees and the management, according to which formal rules could be interpreted in different ways in different situations. For example, smoking was tolerated, even though it was forbidden. At the same time, some formal procedures were accepted, because both the workers and the managers considered these to be justified practices. However, a new manager brought along more straightforward management methods, which led to a change in the bureaucracy, as it became more centered around discipline and punishment more clearly than before. Rules and regulations were directed toward correcting deviant behavior, which led to the disintegration of the previous state of harmony, and to conflicts between the staff and the management.

Three Types of Bureaucracy

Gouldner (1954) outlined three different types of bureaucracy. Bureaucratic structures and regulations can form a *mock bureaucracy*, where the organization does not adhere to rules outlined in a joint agreement. Neither party defends the rules. In a *representative bureaucracy*, the operating principles have been approved by the employees and the management, and these are adhered to in mutual understanding. An example of this would be routines related to safety and security. Gouldner outlines *punishment-centered bureaucracy* as the third type of bureaucracy, where rules stem from some group's internal values, and are not approved by others. In this version, rules become tools of governance for the management, but at the same time, employees can rely on their own rules. Because the rules epitomize how the organization has been separated into different groups, the operations of a punishment-centered bureaucracy are often related to a creation of tension between various parties. For example, workers could go on sick leave in large groups, in order to oppose the conduct of the management.

The objective of Gouldner and the works of the rest of the Columbia school was to take the structural-functional approach forward. With qualitative case studies, it was possible to analyze the formation of the forms of a bureaucratic organization within the changing circumstances of the social system. The school stretched the structural-functional interpretation of organizational ordering, but did not completely abandon it. Organizations were viewed as organisms adapting to their environment, striving to achieve balance or equilibrium. A bureaucratic or a formal organization could sometimes hinder that adaptation, so it had to adjust to the cultural reforms and structural changes required by the more extensive tasks of survival. The relationship of the formal organization and the informal organization is dialectical, as is typical for the cultural modern theory. This approach assumes that a formal bureaucracy needs the existence of informal values, norms, and a sense of community but on the other hand, a formal organization helps the informal organization in achieving the state of balance required for survival: "[t]he concrete structure is … a resultant of the reciprocal influences of the formal and informal aspects of organization" (Selznick, 1948, p. 28). This interpretation is similar to the work of the researchers from Harvard. The difference lies in the skeptical

attitude toward the possibilities of the management to consciously shape the organizational social system into a state of balance required by the situation. Rather, adjustment takes place in an unnoticeable way, as a consequence of the interaction between the various subsystems and social groups and as the cumulative effect of a multitude of functional impulses.

3.6. Interpretation of Substantive Topics

3.6.1. THE RELATIONSHIP BETWEEN INDIVIDUAL AND ORGANIZATION

The individual becomes an important topic within the cultural modern. Mayo in particular, but Barnard as well focuses on analyzing the psychology of an individual in an organizational environment. For Mayo (1933), the individual is a psychological and social creature. He scrutinizes the psychology of individuals through the employee interviews of the Hawthorne studies, for example. Throughout the course of these studies, ten thousand open interviews were conducted, were employees were able to talk freely about their background, work experiences, and any problematic issues. The researchers observed that these interviews motivated the employees. They had an empowering effect on the individual, both as a social practice and as a psychological mechanism. Examples about the successful interview results are cases where a person performing poorly at their work has been able to change their approach. In the light of these examples, the conversations seem to influence the overall satisfaction of the employees. This also extends to their private lives. According to Mayo, conversing freely enables the employee to express their life situation in a unique way. Each individual is their own case, which makes the comparison of interviews difficult. Mayo interprets this as a specificity of individual life paths and personalities, rather than a methodological problem.

The personal differences between individuals are facts that affect the operations of a work organization. For example, Mayo was able to find personal differences among the women of the famous relay assembly group, and he analyzed these tentatively. The women's group was rather homogeneous, but there were some divergent characteristics. One of the five women was Italian, while three came from families with a Polish background. Despite her young age, the woman with the Italian background was looking after her family. She assumed the position of the leader in the test group, and worked most efficiently of all. Two of the three Polish women were friends from before. Their work pace was satisfactory. The third, however, was a good friend of the Italian, and worked at nearly the same pace as her colleague from Southern Europe. These four women

seemed to form a relatively functional group. The fifth woman, however, was alienated. She was older than the rest, and had recently moved to the country from Norway. Her language skills were poor. The Norwegian was unable to adapt, and her working capacity decreased. In the end, she left the company, and the Italian woman's friend was hired in her place.

The individual's relationship toward the organization is determined not only by rational aspects, such as remuneration, but also strongly emotional factors, such as consideration for the individual situation, and humane treatment. Mayo (1933, pp. 157–8) classified the factors that guide action into three categories: the logical, the non-logical, and the non-rational. According to him, organizational theory had so far focused mainly on logical elements, at the cost of non-logical elements. As a consequence, non-rational characteristics increased, such as the amount of sick days, strikes, and sabotages. As the Human Relations movement viewed the matter, individuals should be studied as emotional and psychological beings as well, with a need for a pleasant work environment. The view on people is wider than in Taylorism. Individuals became clearer as subjects with their own needs. That is why they should not be forced to become a member of an organization, by technical or financial means; instead, the approach should be more humane.

In the cultural modern theory, individuals are always both workers operating in a formal role, as well as living people with their social needs. Barnard (1938) highlights this as well, emphasizing that the members of an organization always bring along their human characteristics as a citizen, family member, and psychological individual. In addition to the external factors related to the hierarchical status and the work task, internal significances, desires, and impulses affect members of an organization, as well. Barnard refers to the latter as "motives," to distinguish them from the objective guidelines based on work positions and work descriptions found in Taylorism and bureaucracy. In the cultural modern theory, the individual is a person energized by meaningful work and guided by social and psychological motives. *A pleasing and meaningful work environment or the lack thereof, determines the individual's attitude toward the task given to them by the organization.*

At the same time, an individual is strongly considered to be an integral part of their immediate community. For example, Mayo stated that the issue of getting a problematic member of the women's group more engaged in her immediate community could be solved by increased interaction, in order to strengthen the social contact. This, in turn, is improved by understanding the background and the circumstances of the person alienated due to her problems. Both the alienated person and the community must make an effort

to overcome the distance. At this point, Mayo (1933) expands his analysis to cover the entire urban industrial area, in this case, Chicago. According to him, Chicago was communally scattered due to its fast growth. Therefore, Hawthorne's problems are societal problems, and organizations simply have to face these extended problems caused by the lack of a sense of community. An organization cannot correct the effects of these developmental traits; instead, it can try to build groups that are reminiscent of traditional local communities. This highlights the influence of the cohesion of a social group on the successful adaptation of an individual to their work objectives.

Mayo refers directly to Durkheim (1951) and his concept of anomie. According to Durkheim, individuals need an intimate sense of community, like that of traditional professional communities, and even of families. Social commonality happens best in tight-knit groups, whose members have created a communal set of standards. *In this sense, individual commitment is dependent on the strength of social integration at the work place*. In case an organization or its groups are unable to create organized social commonality, the members can quickly descend to an non-rational state. Mayo compares an alienated employee to the dangerous people in cities, such as criminals. A worker who is not feeling well, and therefore performing work poorly, needs a close-knit local community to perform their tasks. The cultural modern considers the individual to be a member of a principally traditional community, and therefore dependent on the cultural balance it provides. The life arrangement of the individual depends on the order of the social organization, which in turn is a super-individual phenomenon influential on its own level.

Mayo (1933) does not fully follow the path paved by Durkheim; instead he merely states the problems caused for the individual in an industrial modern society, and the prevalence thereof in rationally organized work places. Using the conceptual framework of Freud and other psychologists, an alienated individual is equated to a pathological personality, who has not been able to balance the distortions caused by developmental history in their own life. At the same time, Mayo cites the need to create a guild of managers, the task of which is to create the social unity required in organizations and institutions. This includes a managerial level, where supervisors should be attentive and understanding instructors, but also an upper level of management, which should provide opportunities for the strengthening of the norms and culture of organizations with their own activities and know-how. New kinds of organizations and their leaders understand the significance of cultural characteristics, and are ready to strengthen the communal characteristics of the work place, and thereby also the commitment of individuals.

3.6.2. ORGANIZATIONAL MANAGEMENT

Mayo's proposals for the strengthening of an organization's culture are directly related to the redefinition of management work. The human relations movement confronted Taylorism and Fayolism. It aimed to emphasize the inefficiency of the classical theory, and to provide an alternative for the technical and the mechanical way of thinking. It is therefore natural that organization management is described by juxtaposing it to the classical management theory. On the other hand, some elements found in the classical theory are included in the cultural modern definition, such as the assumption of a formal organizational structure, and hierarchical chains of commands, as well as a collaborative social organization. Generally speaking, however, this approach highlights the management of organizational unity and coherence, and the motivation of its workers in a way that in modern terms is closer to the concept of leadership than management. Managerial work consists of trying to create a positive atmosphere within the organization, and leading by example by using positive communication and moral encouragement.

Barnard is one of the authors who uses the concept of leadership directly. However, he emphasizes that it is subject to the wider term of cooperation, which forms the actual objective of managerial work. Therefore, the purpose of leadership is to ensure harmonious collaboration between the various groups and actors of an organization, instead of building a charismatic personal cult based on a strong leader. For Barnard, a manager or supervisor is in the last instance a part of the cultural system. Barnard (1938) outlines three basic tasks or functions related to managerial work.

3.6.2.1. Maintaining Organizational Communication

Barnard emphasizes that individual factors are also significant in organization management. In addition to structural aspects, the motives of the managers must also be scrutinized. According to Barnard, managers are always unique individuals, but at the same time, their responsibility is related to the adherence to the organization's goals and objectives. A formal bureaucracy is thus interpreted as a moral duty. It must be possible to replace managers and other employees if they do not turn out to be up to the level of their tasks. From this general observation, Barnard moves on to an analysis of communication. Communication is an essential part of the development of cooperation. Communication is not simply a formal issuing of instructions; instead, it creates the values and styles prevalent in the entire organization through the influences of the informal organization. The manager has to be suitable for the spirit of the organization, regarding their background and nature, as well. With their person and their verbal signals, the manager communicates abstract

views, suggestions and questions, which a formal organization could not take forward. Informal communication enables to have a cultural influence without sacrificing the manager's status of power. Here, Barnard draws parallels between managers and politicians, who try to avoid making big decisions that raise a lot of interest. Informal signals function better, particularly among trained staff, who do not necessarily act the most efficiently while being subjected to the pressure of formal accountability relationships. Therefore, symbolic indirect communication is often more effective than a hierarchical style of management based on formal instructions and commands.

3.6.2.2. Ensuring that Individuals Provide Essential Services

In the second part, Barnard proceeds to the dynamics of the manager-subordinate relationship. This primarily contains thoughts about how individuals can achieve a harmonious relationship with the organization. The matter usually concerns the recruitment and selection of a new person. An organization should attract individuals who are suitable with its values but on the other hand, newcomers should be "converted" to become followers of the company's goals and ideals. Here, Barnard describes how various religious denominations have a way of spreading an ideological message (the book uses the concept of propaganda), the aim of which is to increase support and the amount of members. He admits that companies are not exactly similar institutions, but he still considers the possibilities for enticing good employees from abroad, much like the United States had earlier attracted migrants from all over the world. Therefore, an organization should actively shape attitudes. During the second stage, someone accepted into the membership of an organization should be able to do their share to promote the achievement of the objectives of the system. The balanced use of financial incentives and indirect persuasion toward employees is related to this. Employees cannot simply be motivated by being commanded to achieve the desired input; instead, shaping their preferences, and creating the impression of loyalty have an equally important part to play. For Barnard, political and religious organizations are important, because the commitment of their members is not based on rational economical rewards, but instead on how well the members' personal interests and spiritual sentiments match with the objectives of the institution. An organization aiming for top performances cannot be based on coercion or simple remunerative incentives; instead, it has to build a strong ideological culture, which would commit and motivate the members of an organization to perform challenging tasks.

3.6.2.3. The Definition of An Organization's Goals and Objectives

In organizational theory, the interpretation of the duality of management known as the tension between control and consent

also continues in the treatment of objectives. Barnard notes that the general organizational goals must be approved by everyone included in the system. Although, he does admit that to be precise, objectives become defined rather as a cumulative effect of various activities, rather than explicit verbal definitions. However, the main attention is directed toward the significance of objectives in the process of organization. The top-level management gives objectives to the lower levels, but at the same time, messages should be moving from the bottom up through the informal organization, regarding how these given objectives are met, and which things have proven to be difficult. The manager should view objectives as negotiable, not set in stone. This is a matter of process. Barnard (1938, p. 232) states that "the organization for the definition of purpose is the organization for the specification of work to do; and the specializations are made in their final stage when and where the work is being done." The strategic visions of top-level management should have streamlining effect on the operating direction of the lower levels; but at the same time, top-level management should understand the actual circumstances of various departments and individuals where employees have to perform work. Here, Barnard outlines the implementation of the definition of objectives in a way that also includes messages moving from the bottom up, which change the management's analyses and visions.

Selznick (1957) developed the Columbia school equivalent for Barnard's concept of managerial leadership. He makes a distinction between administrative management, and management based on a holistic systems approach. Technical management is based on the administration of a formal organization, and it often represents short-term goals, the achievement of which is considered to be sufficient for an organization's survival. However, holistic leadership, which recognizes the cultural characteristics of an organization, is necessary in addition to this type of rational management. According to Selznick, the task of a manager is to define a general purpose and mission for an organization, which would create a clear value basis for its operations. At the same time, a manager also has to shape the social system in such a way that it would be able to achieve the set goals. What is essential in a leadership type of management is "filling" a rational bureaucracy with value, that is, creating a meaningful purpose and identity for an organization. An organization must be viewed as an organic whole, whose strength in facing survival challenges is dependent on the clarity and conformity of its cultural dimension. On the other hand, clarifying an organization's social role, with the help of a manager, helps to build the internal harmony of an organization.

3.6.3. THE RELATIONSHIP BETWEEN ORGANIZATION AND ENVIRONMENT

The writings of the cultural modern are often characterized as focusing on the internal operations of an organization and its management. For example, Barnard (1938) admits that his analyses are focused primarily on the internal systems dynamics of an organization. He also emphasizes that organizations are analyzed within various sectors and that it is not possible to concentrate on the differences between organizations operating in different situational environments. The cultural modern is focused on the analysis of the ordering of the social organization and human coordination, assuming that the outlined organizational characteristics are universally applicable. The systems theoretical modern, in turn, takes the environment seriously. This is one of the significant theoretical differences between the two modern approaches.

On the other hand, references to the interaction between an organization and its environment can sometimes be found in the theoretical texts of the cultural modern. Barnard (1938) often highlights that a manager must take the environmental factors into consideration in their actions. Decision-making always happens in a certain contextual situation, which the organization or its members cannot influence. On the other hand, the environment is so complicated that it cannot be analyzed objectively. A completely rational interpretation of the environment is not possible. Instead, the organization has to decide which environmental factors it will focus its strategic attention on. Barnard uses the concept of "strategic factors." According to him, the management of an organization must have a clear picture of the internal strengths and the strategic vision of the organization, so that it could efficiently consider the effect of its environment. The organization must decide in which environments it wants to operate, although large changes in the environment will lead to reviewing the organization's strategic goals critically.

The subjective or cultural characteristics of the environment as highlighted in Barnard's interpretation gets a clearer shape in Philip Selznick's study "TVA and the Grass Roots." Study deals with the early stages of the TVA, a regional development authority established in the southern parts of the United States. The TVA was established during the Great Depression for the development of the infrastructure and the economy of Tennessee and its surrounding areas. Selznick (1949) wanted to analyze the operation of the TVA as a tool of social democracy, in the spirit of the New Deal. In his analysis, Selznick combines the description of an informal organization with the critical analysis of the form of bureaucracy, relying on Michels' (1915/2001) concept of oligarchy. Even though the TVA was an authority established by the Federal government, with clear

regional goals as a part of the New Deal program initiated by President Roosevelt, the way in which it actually operated turned out to be outside of the frames of the official goals and principles.

Selznick's analysis was directed particularly at how the mandate given by the state government changes when the TVA has to adapt to the pressures of its surroundings. In this case, the farmers representing the interest groups of the surrounding area were in a position of power when the organization tried to achieve acceptability in the region. In order to survive on this foreign landscape, the civil service management of the TVA blended the values of the farming community with their own operating methods. According to Selznick, this was a tactically motivated cooptation of external requirements, the purpose of which is to ensure the local legitimacy. However, the end result is that the TVA's original democratic-regional mission transformed into something that adapted to the interests of the farmers. The TVA had to take the pressure put on it by the environment seriously. The department responsible for agricultural issues within the TVA was under particular scrutiny. For example, in order to show their commitment to the matters pursued by the farmers, the department hired several people from associations close to the farmers. With this process, the organization became a mirror image of its environment.

Selznick's description differs from the thoughts of Michels and Weber in the sense that he sees bureaucracy only as a cover structure or facade, underneath which occur informal interest adjustments and the balancing of power relationships. Regardless of their formally articulated, noble objectives, organizations depend on their approval by the important segments of their environment and this approval often requires for values and strategical emphases to be made compatible with the environmental demands. However, bureaucracy is not ultimately considered to be the realm of structure that actually shapes and orients the activities. In Selznick's description, the operating environment is seen as consisting of values or symbols, that is, it highlights cultural characteristics. Adaptation takes place on the level of values and subjective emphases. An organization cannot choose its environment; instead it has to face any influential interest groups on their terms. What is ironic in this process is that adaptation means the rejection of original goals for the sake of pragmatic survival.

Ultimately, the role of the environment in the cultural modern theory is secondary to the primacy of the generalized functionalist explanations of systems survival. Changes in the environment express the alterations occurring in the adjustment pressures of a social system on a more general level and the analysis of an operating environment does not intend to describe systematically the effect of context on the adjustment of organizations. The environment is a part of a systems functionalist analysis, which considers an organization to

be a social system which maintains a state of balance in the changing circumstances. Changes taking place within an external context are mainly reflected in the balance between the formal and informal subsystems. For example, in Gouldner's (1954) gypsum plant case, the organization ending up under the control of the parent company, and the appointment of a new professional manager, created a changed situation, where the previously harmonious order started to disintegrate. Likewise, in the human relations movement, external changes drive the system into a state of imbalance as the balance between the informal and formal is disturbed. Roethlisberger and Dickson (1939) mention this situation, including an example of introducing a new production model. Informal norms and communities adapt to changes in the technological production system with a delay, which is liable to create tensions and disruptions within the overall balance of the social organization when the informal organization is still tuned to the previous formats of technology. Changes in the environment merely reveal how social systems are built as an outcome of the dialectic and reciprocal relationship between the formal and the informal organization.

3.7. Summary and Discussion

The cultural modern was born as a counter-reaction to the one-dimensional concept of rationality and a deterministic view on the social structure of an organization highlighted by the classical approach. Functionalist reasoning provided a sociological basis for the approach. Organizations were viewed as social structures that aimed for internal balance and adaptability toward the external ecosystem. The subsystems of organizations tried to adapt their operations in such a way that these would fulfill their roles regarding the creation of the balance and order of the organizational entity. At the same time, the organization as a whole was a part of a wider societal system, and as such, it had to fulfill various societal needs. The main attention of the cultural modern was turned more clearly toward the creation of balance in the cumulative effect of formal and informal characteristics. A mere technical approach was insufficient for trying to understand the achievement of the internal cohesion and purposefulness of an organization. An organization must adjust to the views stemming from the group level and the individual level, if it wants to continue its operations as a balanced entity. The key issue here is the understanding of the members of an organization not only through their formal roles, but also through their ordinary social influences and needs. The hierarchical formality described by classical organizational theory does not guarantee that the social order of an organization is created in a desired way.

An informal organization is required on its side, leading to the acknowledgment of natural groups and individual-level motivational factors as a part of the set-up of the system.

The cultural modern developed with the involvement of two universities, Harvard and Columbia. Of the two, Harvard had a more considerable influence, even though the Columbia school later rose to be a noted innovator of the functionalist approach. The Harvard school criticized Taylorism more directly, while the Columbia school aimed to dismantle Weber's theory of bureaucracy. As Weber was read more critically in Columbia than in Harvard, the Columbia school emphasized the pathological features of formal organizations and bureaucracy. At Harvard, the multidimensionality of Weber's theory of bureaucracy was not recognized in the same nuanced fashion; instead, the rational organizational structure was seen as constituting the ideal type of an administrative organization. At Columbia, in turn, organizations were seemingly rational institutions whose operations could lead to non-rational consequences, taking different forms as they adapted to the survival pressures of their surrounding society.

The normative social action approach, introduced in Parsons' (1937) early general theory, is also evident in the works from Harvard. Mayo, Rothlisberger and Barnard started their theory-building from the individuals, from where they proceeded to the organization of groups, organizations and finally, the society. Merton, Selznick, Gouldner, in turn, started with an institutional interpretation of Weber and Michels, and scrutinized organizations as societal phenomena. For them, formal organizations were an integral part of a modern society and its social systems. As such, they had to be approached as a dynamic fabric of rational and non-rational or unintentional characteristics. However, organizations could not be reduced to the operations of individuals; instead, the analysis had to be carried out namely on the general institutional level. Unlike the works from Harvard, the researchers at Columbia were more keen to use the results of empirical fieldwork in their theoretical developments. The theory became a part of the mid-range approach, where empirical qualitative fieldwork was in discourse with more general theoretical material. Harvard's contributions, in turn, were based on a different kind of approach, which, on one hand, relied on very abstract theoretical work (Parsons, and also Henderson, Homans and Whitehead), and on the other hand, observations from intensive field studies (Mayo, Rothlisberger), and even on personal organizational experiences (Barnard).

Nevertheless, the common features are obvious. Both the human relations movement, and Barnard, and Columbia's organizational sociology approached organizations through informal communities and their values, norms, and networks. The concept of an informal

organization was added to the technical, bureaucratic organization highlighted by the classical approach. Previous ideas about the universality of bureaucracy as *the* organizational form were crumbling as the modern systems approach emerged. An organization as a system was not simply a rational ensemble of hierarchy, rules and division of labor, but it also included features that can be characterized as cultural. This approach described how to influence various informal cliques, groups, and communities within an organization, which are created naturally during everyday interaction as a group of people construe common values and symbols as the basis of operation. Nevertheless, the cultural modern did not strive to dismantle the role of the formal organization from theory. Formal bureaucracy and scientific management acquired their meaning through cultural communities and on the other hand, enabled cultural communities and systems of meaning to exist and endure. Also, this perspective led by structural functionalist ideas assumed that an organization still forms an organized whole, which is characterized by a systemic unity, for example in its relationship with other organizations or its own subsystems. Culture is what keeps an organization together.

The cultural modern had an extensive influence on the ideas of organizations and their management. The human relations movement expressed ideas about the social and psychological needs of the employees. The study of work motivation began with the work done by the Hawthorne group, in addition to the analysis of groups and teams. By Rothlisberger's initiative, analyses approaching organizations from a social-psychological perspective started to be referred to by the general term of organizational behavior (Vaill, 2007; Whyte, 1987), which referred to the importance of the analysis of the internal behavior of the members of an organization on the study of organizations and companies but also to the view that the behavior of organizations in a wider societal context could be analyzed in a similar way as the role of individuals and groups in the social system of an organization. Closely related to organizational behavior was also the tendency to analyze management as a leadership activity. In the cultural modern, the management of an organization was seen as a diversely cherishing influence on the internal balance of the social system, where sensitivity toward the overall situation of the social system, and the understanding of the cultural expectations of various groups was also required in addition to rational know-how. Leadership aimed to define a task for the organization, which would help to steer the values and norms of the informal organization toward a common direction. The space of management or leadership as a part of the overall analysis of the dynamics of an organization was opened in the discourses of the cultural modern.

This approach anticipated the rise of organizational culture as an innovative business management theory in the 1980s. The ideas outlined by the cultural modern regarding the nature of informal organizations and the tasks of leadership within the community of an organization accumulate in later literature dealing with corporate culture (Parker, 2000). Corporate culture is seen as a fabric that weaves together the dispersed and complicated formal organization, which is created through values, norms, basic assumptions, and symbols as a part of the everyday rituals and rites of the work communities. On the other hand, the actual interpretative approach through the significance and signs of the social construction of reality is based on a different sociological approach than that of the human relations movement, Barnard and the functionalism applied by the Columbia school. Understood this way, the interpretative approach relying on cultural studies forms a different paradigm in the philosophy of science than the cultural modern.

The cultural modern was based on organic system ontology, where an organization is viewed as an adapting entity, which changes its shape according to the external circumstances. Organization is a social system which consists of various subsystems, such as the formal and the informal organization. As far as the theory of science is concerned, the cultural modern perspective highlights holistic epistemology. Information about organizations can be retrieved in various ways. In this matter, the main emphasis is on various qualitative methods such as ethnography (Schwartzman, 1993), with which it is possible to describe the construction of organizations more closely to the actual behavior of the people involved, as well as the relationships between various subsystems. Indeed, this approach used several various types of methods such as qualitative case studies, participant observation, experiments, and the personal experiences of the members and managers of organizations. However, the goal is to describe the dynamics of the social system of an organization like it is shaped in reality. Epistemology is still largely objective. At the same time, the conception of knowledge changes when the application of structural functionalism moves from the writings of the cultural modern toward more rational perspectives, which highlight scientific, measurable knowledge more clearly. The analysis of the system's dynamics of organizations changes to the quantitative description of the context and the organizational structure. In addition to this, the operations of an individual started to be analyzed from a rational perspective, ignoring to an extent the cultural and non-logical aspects of social behavior.

CHAPTER

4 Rational Modern Organization Theory

After World War II, the modern approach gradually became more rational and analytical. During the war, the main emphasis was on the development of rational management systems and decision-making processes. For example, the trend of operations analysis was born, which aimed to analyze complicated management situations with mathematical modeling and quantitative optimization. After the war, people started to apply this method also for the management of the production processes in civilian organizations (Beer, 1959). Computers made it possible to carry out complicated calculations efficiently. Rational operations analysis relied on the theoretical development of functionalism, which progressed from the analysis of societal organization toward the analysis of the efficient operation of entire systems in complicated circumstances. For example, after the war, Parsons' own work was focused on constructing a systems theory (Parsons, 1956a, 1956b), in which he relied on the development of the so-called general systems theory (Boulding, 1956; van Bertalanffy, 1968). General systems theory views organizations as rationally managed systems, whose operational feedback can be used for the strategic planning and management of its operations. The rational-scientific epistemology encountered the structural-functionalist social theory which had shifted onto a systems level.

The rational modern is different from the cultural modern also regarding its way for conceptualizing the essence of an organization. In the cultural modern movement, the emphasis was on the internal construction of an organization, as variable compositions of a formal and an informal organization. This approach analyzed organizations as social systems. From the rational modern

perspective, an organization is conceptualized instead as an *open system* (Scott & Davis, 2006). The starting point is the shaping of an organization in relation to superior-level system influences. Every operating environment sets its own kind of pressures on organizations. The challenge of individual companies is to try to respond to this adjustment challenges in the best possible way. The focal point has been on the adjustment and survival of an organization within the pressures of a superior-level ecosystem. Organizations are analyzed as coherent wholes, whose shape becomes organized in a situation of adjustment, in accordance with a uniform structure. Seeking the internal balance in organizations, within the context of variable boundary conditions does not play as important of a role as the analysis of the overall form in the rational modern. The analysis of the structural format of an organization is subject to the specification of the influence of the operating environment, and to the analysis of the operating principles of a system. At the same time, the analysis of an individual level turned from issues of human needs and motivation toward the description of decision-making processes from the perspective of the way of thinking and information processing of the members of an organization. In organizational theory, this approach is known as the decision-making school.

4.1. Decision-Making Theory

The Carnegie Institute of Technology at Pittsburgh was a well-reputed technological university. In the year 1949, it received a large donation from William Larimer Mellon, a businessman. The task was to build a school of business that would be competitive among large universities, and which would educate competent business managers. The old economics department of the institute was joined with the new Graduate School of Industrial Administration (GSIA), while a group of young researchers from other fields where also recruited to the institute. One of the early joiners was the political scientist and administration researcher, Herbert Simon, who in turn hired other people, including another political scientist, James March. Together with their colleagues, Simon and March started to develop the unique decision-making organizational theory, which drew on the classical and the cultural modern theory, but progressed further and over previous organizational research while building a new paradigm for the understanding of the operations and management of organizations.

Herbert Simon's Career

Herbert Simon (1916–2001) was born to a family of Jewish immigrants. His father was an engineer from Germany. Simon studied political science at the University of Chicago, and received his PhD in 1943. At the beginning, his field of study was economics, but a compulsory accounting course made him change majors, and choose political science, instead. Simon's major was public administration. In his work, Simon relied on the topics presented by Chester Barnard, regarding the nonrational nature of a manager's work. In 1949, Simon was recruited to the Carnegie Institute of Technology in Pittsburgh (currently known as the Carnegie Mellon University), to its brand new business school. The Graduate School of Industrial Administration provided an ideal playing field for Simon and his colleagues, such as Richard Cyert and James March. The group shared an interest in updating the views of how business organizations works, using ideas and methods that differed from traditional economics. Simon himself was most interested in cognitive psychology which studied thought structures and processes, and which could be used together with operational-analytical tools for modeling decision-making situations to try to describe the actual consideration and reasoning processes of decision-makers. Simon left a permanent mark not only in organizational theory, but also in psychology, computer science, pedagogy, and political science. Despite his many areas of interest, his most notable academic recognition finally came from the field of economics: in 1978, Simon was awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel (the so-called Nobel Prize in Economics, which have been awarded since the year 1969), for his work related to the research on the decision-making processes in economic organizations.

Simon's main interest lay in decision-making. His book, *Administrative Behaviour* (1947/1976b), based on his dissertation, was an attempt to include a social-psychological perspective in the discourse on organization management, which would take into consideration the organizational factors influencing the decision-making processes of managers and other employees. As he attempted to critically analyze the assumptions of classical organizational theory about the formal rationality of operations, he was within the sphere

of influence of the cultural modern theory. To a large extent, he relied on Chester Barnard's (1938) ideas on the non-logical nature of a manager's activities under various social pressures. However, Simon turns the analysis around in a way that the decision-making processes become the core issue of organization studies as a whole. Organizations are viewed as structures and social-psychological mechanisms that affect decision-making. This differs from Barnard's overall view where cooperation and the balance of the social system play an essential role. Simon dispels Barnard's holistic emphases, and takes the analysis toward a sociopsychological study of the decision-making processes.

Simon's thesis was constructed against the theory of rational choice. He has in mind the rational "*homo economicus*," who makes optimal decisions based on perfect information. Simon (1976a) stated that organizations strive to make rational decisions as described by economics, but human factors limit the possibility of making purely rational decisions. From a psychological perspective, a single individual cannot take into consideration all of the information that influences a rational decision objectively. He simplifies things, copies, and does what was previously done in a similar situation. On the other hand, from a sociological perspective, the optimal solution is not the real goal; instead, the goal is to reach a decision that the participants can live with. Real decisions are not ideal; it is enough for these to be satisfactory from the participants' perspective.

During the 1950s, Simon developed the psychology of the decision-making process further, but he also tried to take actual organizational theory further, as well. The book written together with March, Organizations (March & Simon, 1958), tries to present a synthesis of organizational theory up to that time. The book reviews scientific business management, the human relations movement, Barnard's contribution, and Columbia's critique of bureaucracy (Merton, Selznick, Gouldner), after which the authors assess the approaches, and present the elements of decision-making organizational theory. The reconstruction of earlier theoretical perspectives reveals the positivist undercurrent of Simon and March's work. For example, in their book (Simon & March, 1958), the interpretations of the Columbia school's organizational sociologists, leaning on Weber's theory of bureaucracy, and conceptualizing the limits of a formal organization, enriched by qualitative case studies, change into models that analyze relationships between variables, and organizational behavior. Simon and March read previous contributions through their own logical-empirical lens. The heuristic and interpretative nature of sociological terminology is completely bypassed. The ideal is to create a field which would imitate natural sciences, where the operations of an organization are presented as variables within a rationalized approach, and causalities representing relationships of

influence between the variables. The weakly objectivist epistemology of the cultural modern gives way to an empiricist concept of knowledge. Only those phenomena that can be modeled and measured can be studied.

Simon (1979) stated in his Nobel-prize speech that he has tried to "harden" social sciences with his works. By "hardening," he probably meant including quantitative methods and positivist principles in the analysis of organizational operations. Here, the strategy of scientific revolutions manifests itself, as used by Simon and his colleagues at Carnegie: at first, by heavily criticizing the supposition of the *homo economicus* in economics for insufficiently considering its human component, they then present their own, "more real" theory of organizational behavior. This, more real description of organizational decision-making is theoretically charged, however. The approach includes its own assumptions about the nature of managers and other organizational actors. However, Simon and March do not highlight these as openly as those rationality assumptions of classical economics which they attack. This is probably a rhetorical strategy typical of academic writing, where the developers of a new approach or paradigm choose an established doctrine, which they will start to criticize systematically. The preceding perspective is not in absolute terms any more "deficient" than the one offered in its place; but in order to gain room for an alternative method of analysis, researchers of the upcoming generations must try to undermine the belief in prevalently dominant paradigms.

Simon and March (1958) criticize not only the rationality ideal of economics, but also Weberian formal bureaucracy. This polarization hides the fact that upon closer inspection, new paradigms rely on the achievements of the previous generations. The prevalent theoretical perspectives always seem to include something essential or significant about the phenomenon of organization, which even the new generation finds difficult to bypass. With regard to this, Kilduff (1993) has noted that two kinds of movement are taking place in *Organizations*. On the one hand, the book criticizes rational bureaucracy as a limited method for analyzing human behavior and decision-making; but on the other hand, it assumes the structures of the formal organization at the background of the new organizational decision-making theory. Thus, on a deeper level, Simon and March's interpretation is not as radical as could be understood by the scientific-philosophical turn from holism to positivism. The ghost of Weber is still haunting the ideas related to the structure of an organization, careers, and commitment. Furthermore, rational bureaucracy continues its life in the form of information processing, an essential part of the decision-making process. Simon and March consider human processing of information to be limited, but they believe that mechanical tools patch up certain subjective weaknesses.

Accordingly, Weber's hierarchical-structural bureaucracy is partly replaced by the computer-like mechanics of communication, information processing, and learning (Kilduff, 1993; Morgan, 1997). An organization oriented toward decision-making is not a social iron cage like bureaucracy, but according to the school's interpretation, it can nevertheless form into a strong collective information processing system supporting individual reasoning.

A new point of emphasis within the work of this school was the focus on conflict within an organization. Previous theoretical schools had emphasized harmony and consensus. Now, this assumption was re-examined. As Simon and March had received an education in political science, it was natural for them to try to include the concepts of power and interests that are important in political science, into the study of formal organizations, as well. The role of conflicts in the shaping of organizational behavior and decision-making processes became one of the leading themes in Richard Cyert and March's (1963) *A Behavioral Theory of the Firm*. March and Cyert aimed to offer new conceptual methods for the discourse of business economics. The concept of conflict helps to construct an image of corporate organizations as associations comprising of various political groupings, where various interests meet, collide, and through struggles, take a certain group to the leading position. The decision-making situation and its external environment still remain at the focal point. However, the analysis of conflicts is something completely new. Various contradictions are seen as characteristic of organizations. Conflicts occur primarily between groups of professionals and managers situated on the same hierarchical level, not as much between the management and the employees. Thus, March and Cyert evade the analysis of the horizontal relationship between managers and employees, which was at the heart of both classical theory of Taylor as well as the human relations approach of Mayo. Instead, the focus now lies on vertical power relationships as a part of an organizational life.

Tensions between the various groups and orientations can even be positive within an organization. Corporate organizations can learn from the experiences of producing decisions under the uncertainty of multiple viewpoints. However, learning requires a certain level of openness toward various perspectives; and a dialogue between conflicting ideas. According to March and Cyert's theory, companies are not the rational actors involved in one-time solutions as described in economics; instead, they are sociopsychological entities that draw on their previous experiences, and are capable of processing information, and learn. It was March's later work in particular that continued the theme of organization's learning ability as a part of the organizational theory focusing on the behavioralist

decision-making process. In this usage, learning denotes an openness that requires reflection. Among other things, Levinthal and March (1993) claim that being lulled by earlier success could prevent genuine learning. Any recipes for success, and established beliefs that worked in previous situations, will hinder the sense of curiosity toward various models of interpretation. Learning represents the positive or functional side of internal conflicts, while the acknowledgment of the influence of various interest groups is more clearly part of March's and Cyert's political science legacy where the focus is on the effects of the conflicts and power struggles in the emerging strategies of the organizations that in their inbred quality could be detrimental to the adjustment of the companies to the changing contextual pressures. Yet the actual research discussion on organizational politics and power was not developed until at the end of the reign of modern functionalism (Mintzberg, 1983a, 1983b; Pettigrew, 1973; Pfeffer, 1981).

Key Concepts of Behavioral Theory of the Firm

Cyert's and March's book, *A Behavioral Theory of the Firm* (Cyert & March, 1963) develops a perspective on economic organizations based on decision-making theory. The research program they present is based on four key concepts:

(1) Quasi-resolution of an organization's internal conflict
There is a latent conflict between various political groups that is only partially resolved in the day-to-day operations. According to Cyert and March, there is no prevalent consensus related to the objectives of an organization; instead, there is a pluralism formed by various interest groups. Each group is after its own interest. The formal objectives of organizations can be seen as reflecting the state of which coalition has gained a dominant position in the power structures. On the other hand, decision-making usually does not even attempt to achieve optimal rationality; in most of the cases it is sufficient for the solution to be satisfactory for the various parties concerned.

(2) Uncertainty avoidance
Organizations are not able to completely detach themselves from the uncertainty related to decisions and plans, but they can try to manage uncertainty by various means. For example, organizations make decisions as soon as they face problems that need reaction. Furthermore, companies

(*continued*)

aim to actively influence their operating environment, including attempting to control and minimize the threats that emerge from any of the sectors of the environment.

(3) Problemistic search for decision models

Organizations make decisions, which are based on a particular problem at any given time, for which the company tries to find a viable solution. The time horizon of an organization is short. The analytical "search" process for making sense of the situation is often simplifying, that is, it starts from simple cause and effect models instead of trying to uncover the complex dynamics underpinning any identified problem. On the other hand, various background factors (e.g., training and earlier experience) of the individuals participating in a decision-making situation analysis also tend to influence the way in which information is obtained and interpreted.

(4) Organizational learning

Organizations are not static actors; instead, they can change their operating principles and methods of analysis based on earlier experiences. To begin with, organizations can change the ambition level of their objectives over time, based on what they have experienced. The objectives can be more ambitious, or more modest than before. On the other hand, over time, organizations also change the way they pay attention to certain parts of the operating environment at the cost of others. Third, learning may influence which solution methods are tried first, and which solutions are left for the later stages of the search process.

With regard to the birth of the decision-making theory, it is worth remembering that Carnegie's GSIA department was consciously built as a business school based on social science research (Khurana, 2007). Its premise was to combine teaching with empirical research in behavioral sciences. Unlike the Harvard model of academic management education that relied on case studies and intuitive emulation of organizational practice, the Carnegie model aimed at a more scientifically systematic foundation. The neorational organizational theory that focused on decision-making was offered as a new discipline for the business school, which could not be traced back directly to social sciences, nor the mainstream economics traditionally dominating in business schools. The idea

was to build a rigorous multidisciplinary foundation for university business schools, a grand scientific theory of business organizations, from which various functional disciplines such as organizational behavior, marketing, accounting and finance, management information systems and so forth, can draw upon in the crafting of their research programs and educational curricula (Mintzberg, 2004, pp. 31–33).

At the same time, the success of the Carnegie paradigm within the growing business school field had the unintended consequence of separating the organization theory taught at business schools from the developments taking place in the more general field of social sciences and social theory. It is obvious that the decision-making theory has shown its viability in the struggles between paradigms. The ideas of Simon, March, Cyert, and other scholars have provided many business researchers with a seemingly solid basis for analyzing organizational and managerial problems and processes. For example Scandinavian management scholars in various disciplines leaned in the 1980s predominantly to the Carnegie school ideas despite the availability of the European sources for social and organizational thinking (Engwall, 1996). However, the continued influence of decision-making school his may have created a lag between the crisis of modern functionalism in social sciences (e.g., Gouldner, 1973) and its arrival into academic business school circles. The decision-making theory may have also appealed with its slight or seeming radicalism, which is targeted at the rational nature of management in modern organizations. March's later work in particular (e.g., Cohen & March, 1974; Cohen, March, & Olsen, 1972; Feldman & March, 1981) has taken this furrow forward toward interpretative and even post-modern characteristics. Writings about the nonrational and even anarchist nature of organizational behavior are likely to inspire those seeking for theoretical resources for critical analyses about the nature of decisions and the activities of decision-makers. It is intellectually challenging to analyze to what extent a presumed action proceeds in a completely opposite order than what rational logic would dictate, as managers look for problems for predetermined solutions. This perspective is represented perhaps most evidently in March and Olsen's famous "garbage can" theory, in which, as the name suggests, managers look for problems in "garbage cans," with which they could justify complete solution models (March & Olsen, 1972). At the same time, however, the broadly rationalistic mainstream of the decision-making approach was carried forward by Simon, whose own work remained tightly intertwined with the school's cognitive-modernist paradigm (Simon, 1978, 1979). A related development took place in the meso-level study of organizations in their environments as a contingency perspective on

organizational structures began its foray into management studies in the 1960s.

4.2. Structural Contingency Theory

Another major movement within the rational modern approach to organization theory was born in European technical universities. The British industrial management researcher, Joan Woodward, was a pioneer in this field. In the 1950s, while working at the South East Essex College of Technology, she conducted research on English companies in the SME sector. The goal was to search for the optimal organizational structure, in the spirit of the classical theory. Woodward had collected material about organizational structure and the financial success of approximately 100 companies. She aimed to find connections between structural formats and performance levels. However, she was unable to find this causal connection. Frustrated, Woodward arranged companies into various groups, based on the production technology they used. Companies using mass production, tailor-made production, and continuous process production were categorized separately. Then, Woodward started to analyze the connection between the structure and the performance level within every category. Now, she was able to make further developments with the material. Each category had a particular structural shape, which had a connection with above average performance levels. In mass production, it was bureaucratic hierarchy; in unit production, it was a flexible non-hierarchical structure; and in process-oriented production, it was a more hierarchical format. Woodward had achieved a small-scale scientific revolution. She had noticed that the optimal structure depends on the production technology. Woodward published the results of her study in 1958, in the book *Management and Technology* (Woodward, 1958). This theory led to the simple conclusion: an organization had to adapt its structure to the production technology it used, in order to achieve effectiveness. Unlike in the classic and earlier cultural modern analyses, organizations were viewed as inherently differentiated. Various organizational formats where expressions of various circumstantial factors, rather than the variants of the same general format.

The attention now turned to the dynamics between organizations and environmental factors. The focus on situational or contextual aspects replaced the conceptual reflection focusing on the self-contained organizational communities and systems. Woodward's work was complemented by research of two sociologists, Tom Burns and George Stalker. In an empirical study on Scottish companies Burns and Stalker (1961) observed that textile companies

operating in a stable operating environment were more bureaucratically organized, compared to electronics companies which were operating in a dynamic and turbulent environment, and which seemed to have accepted a more flexible form of organization. They referred to the bureaucratic format as mechanistic, and the flexible one as organic. After this, the attention turned to other situational factors, such as the size of the organization, or its current phase of its life cycle. On the other hand, technologies were defined more precisely. The analysis initiated by Woodward and complemented by Burns and Stalker and others soon became as the contingency theory.

The basic premise of contingency theory was to analyze how an organization adapts to its environmental context. The term "contingency" refers to the dependency of an organizational structure on its surrounding contextual situation. Alfred Chandler, an economics historian, was one of the scientists who highlighted the same logical connection in his work, *Strategy and Structure* (1962): the structure of a company or an organization is subject to the external strategic situation. The goal of the contingency theory was to create an understanding of the optimal form of organization and management style of a corporate organization operating in a multidimensional situation. However, the rational systems theoretical model soon expanded, from the analysis of the relationship between the internal structure and the external environment to the analyses of extended networks. Borrowed from biology, the metaphor of a living system or organism was stretched to describe the environment of an organization as its own species formed by organizations. The so-called population ecology (Hannan & Freeman, 1977) concentrated on describing the systemic dynamics of the species formed by organizations. Population ecology took the biological analogy seriously, and developed concepts familiar from the theory of evolution, to describe the birth, establishment, and gradual decline of organization populations. Using historical time-series data, this perspective aimed to find various system-level factors affecting the survival of organizations, and the former were treated like laws of nature, which affected the survival of individual companies on a population-level struggle over scarce resources. The connections with the economics and strategic management rational organizational theories were obvious. The concept of resource was also developed by Pfeffer and Salancik (1978), who claimed that organizations' internal structures and power hierarchies reflected the organization's relationship toward critical resource sectors in the external environment. The interest groups, essential for the survival of an organization, influence the shaping of the power structure within an organization. The departments who have control over access to

critical power resources logically dominate other groups in the internal struggles within an organization.

Contingency theory and population ecology consolidated the neo-rationalist current of organizational theory, where the main emphasis no longer lay in the internal analysis of a generalized organizational system; but instead, in diverse compositional shapes occurring in different situations. The bureaucratic-hierarchical structure introduced by the classical theory was still considered to be an important ideal type, but several different forms of organizations were outlined in parallel to the mechanistic bureaucracy, ranging from relatively bureaucratic all the way to flexibly organized organic forms. Both the bureaucracy emphasized by the classical theory as well as the organic cooperative model highlighted by the cultural modern were set within more general contextual factors within the rational modern. The situational factors within the environment determined which format was suitable at any given time. The main focus shifted from the analysis of organizational management and employee behavior toward the reined analysis of the external environment. The assumption behind this was that the environment had become more complicated than before, and that previous assumptions about the universal nature of organizations had proved to be irrelevant.

This shift can be interpreted against the societal changes happening at the time in the real world. The labor movement subsided in the 1950s, when the attention was transferred from the separation of employees and their work performance levels, and the construction of an organizational unity, toward the challenges brought by external markets and macroeconomical challenges. The United States had avoided the worst after-effects of the war, and its companies were starting to take over the global markets. Along with internationalization, the organizational challenges of large companies started to become increasingly more intertwined with operations in different national operating environments. Increasingly more globalized communities faced various national and regional contexts, which piqued their interest toward how to adjust the internal structures of large organizations to the increasing complexity of the external environment. Contingency theory was a suitable theory for handling challenges for large corporations, organizations, and companies, brought by an increasingly varied and international operating field (Guillén, 1994).

There were also direct connections between the new paradigm and the United States' role of a superpower. The United States had become the economic and psychological supporter of Western Europe; and through the Marshall plan, it increased its influence in former superpower states such as England, Germany, and France. The strength of the former colonial powers had deteriorated during

the war. The United States was up against the communist Soviet Union, which had seized control over Eastern Europe. After the war, the leading responsibility for Western science, and market economy was transferred to the United States, which did aim to construct – consciously or unconsciously – management and organizational theory into a kind of cultural export product, which would help to develop the societies and economies of other countries toward a liberal market economy. Based on the American model, business schools were established in Europe. Their task was not only to complement traditional academic vocational education, but also to provide further training for those already active in the business life and public administration. A Master of Business Administration (MBA) degree became the flagship product of the new institution of a business school.

Of all the developers of the rational modern organizational theory, it is easy to view Herbert Simon in particular in the light of the changed position and influence of the United States. His connections were realized on at least three different levels: political, administrative, and scientific. On a scientific level, decision-making organizational theory advanced the development of such organizational and management theory which provided a basis for an empirical research program, but also for business schools and educational programs suitable for business management training (Khurana, 2007; Mintzberg, 2004). Combining cognitive social psychology with the conventionalist view of organizations as uniform hierarchically structured units was an approach suitable with the spirit of the time, and with societal objectives. The theory was suitably liberal as it stood out from the strict concept of bureaucracy, and the narrowly understood economic rationality. On the other hand, it maintained the managers' position of power, and it did not open up controversial issues regarding the power relationship between employees and managers. The societal dimensions of organizations were also limited more strictly within the analysis of local functional goals, compared to more sociological approaches. Organizations were more flexible and humane, but this was not understood to mean that the significance of subjective activities became the humanist core of organizational behavior. Instead, in accordance with the functionalist paradigm of the analysis of corporate organizations, the reformatted structure-based thinking remained within the sphere of analyzing objectives and operating methods essential for the survival of the system.

On another level, Simon furthered the administrative position and format of business schools. He himself never worked as a dean. However, Simon did not keep a completely low profile in the discussion about business schools. In his article from 1967, "The Business School: a problem in organizational design" (Simon, 1967) he

analyses the societal role of business schools in a rather direct way. He starts with the idea that the task of business schools is to train people for various professions in the corporate life, just like medical schools train people for the profession of a doctor, for example. In Simon's opinion, the institution of a business school cannot be based solely on scientific research and knowledge. Mere applied research drawing on various disciplines, such as sociology, psychology, or economics, will inevitably remain outside of the practical life of companies. Business schools must have immediate interaction with the corporate field. However, Simon also emphasizes that without active research, the education level in these institutions will regress. It would also be impossible to recruit good researchers if their ties to their original fields of science are cut. However, Simon thinks that contact with the practical side of business, particularly through consultations and fieldwork is a prerequisite for keeping a business school and its researchers close to practical management issues. He admits that it may be difficult to find a researcher-teacher who is also a businessman and a consultant. In this case, one solution would be the simultaneous presence of two kinds of academic staff within business schools: one group concentrated on science-based research, and the other focused on professional practice. This vision, derived from the GSIA experience, is clearly visible in the structures and operating methods of business schools where different solutions are used for combining science-based basic research and practical applications in line with key issues, knowledge formation, and pedagogical approaches.

The third level, on which Simon participated in the strengthening of the American influence in postwar Europe, has received little attention. Simon worked as an advisor to an organization that coordinated the Marshall plan, the Economic Cooperation Administration. Later, he wrote an article about his experiences, titled "Birth of an organization," where he dissects the birth of the ECA in great detail (Simon, 1976b). Simon was well aware of the various political-administrative options of the implementation of the Marshall plan. Among other things, he analyses the economist approach, which strives to define the need for help in monetary amounts, and various more dynamic models, where the attention is turned to the long-term development of social economies and regions in the entire Western Europe. The main analysis of the article focuses on the actor-level interaction and reasoning processes of the early stages of the aid organization, and the following concrete organizational structures, but the precise specification of help ideologies reveals that Simon was an insider of the Marshall operations. It can be assumed that the early socialization into the political thought of the cold war influenced his later attitude toward the task of the American society and the university sector in the postwar global setting.

4.3. Interpretation of Substantive Topics

4.3.1. THE RELATIONSHIP BETWEEN INDIVIDUAL AND ORGANIZATION

The rational modern is not at its strongest when it comes to describing the relationship between the individual and the organization. The approach is primarily interested in various external situations related to organization-level adaptation. On the other hand, the relationship of an individual toward an organization's structures and culture has, at times during the development of the rational modern, been considered more explicitly. For example, in Simon's dissertation, published as *Administrative behavior* (1947/1976b), the early developments of this perspective are clearly visible. Simon aimed to follow in Barnard's footsteps along the paths of cooperation and interaction opened by the cultural modern within the internal analysis of an organization. Here, he also touches upon the position of an individual as a part of an organization. Simon's premises are loosely related to the cultural modern project: he aims to demonstrate the limited nature of classical organizational theory, and particularly of the rationality assumptions of the prevailing economic thought. On the other hand, Simon handles this topic differently from Barnard, for example. When Barnard (1938) outlined three kinds of rationality: the logical, the non-logical, and the irrational, Simon introduces two contradictory perspectives: rationality and nonrationality. While Barnard emphasizes the role of non-logical, intuitive characteristics, Simon builds a theoretical universe with the focal point of "the boundary between the rational and the nonrational aspects of human social behaviour" (Simon, 1976a, xxvii). For him, the opposite of rational is not intuitive behavior (Barnard's non-logical rationality), but non-rational behavior. That is why Simon also strives to save organizational theory from a complete lack of rationality, as that would denote a move to the chaotic world of subjective insights and inconscious reactions. In the preface of the third print of *Administrative Behaviour*, he notes that the previous generation of behavior scientists has emphasized that people are not at all as rational as usually thought. At the same time, however, he hopes that "perhaps the next generation will have to show that they (people) are far more rational than we now describe them as being" (Simon, 1976a, xxvii). Simon aims to draw a limit to the extent of which intuitive, unconscious, or subjective forces can be used to explain human behavior.

In what follows, Simon builds his theory on the concept of *bounded rationality*. As his famous note states, the world of organizations and management is characterized as a world, where "human behaviour is *intendedly* rational but only *boundedly* so" (Simon,

1976a). Simon bases his elaboration of the existence of bounded rationality on the three main claims (Simon, 1947/1976b, p. 81):

(1) Complete rationality requires complete information about the various consequences of an operation. This knowledge can never be absolute or all-encompassing.
(2) Consequences take place in the future, which cannot be foretold. Future predictions rely on human imaginations, which in turn lean on the individual's own valuations. Personal values are in essence subjective and not directly based on objective facts.
(3) Perfect rationality is based on the decision-maker being capable of imagining a variety of different forms of action in various situations. In reality, only a limited amount of possible behaviors is actively available to the human mind.

In a way, Simon aims to transform the definition of rationality from the mere weighing of objective facts to the wider psychological analysis of alternatives and consequences. He emphasizes that organizational behavior or decision-making always contains the evaluation and prioritization of various possible consequences. The future lies outside of the rationality based on facts. That is why individuals approach it by evaluating certain alternative consequences to be more desirable than others. This is a case of normative evaluation of conceivable consequences, which is based on knowledge, values, and norms. Simon goes so far as to suggest that practical decision-making is an ethical process, because the decision-maker has to consider which option would be good morally. From the perspective of a single actor, the chosen decision or operating method cannot be described as objectively correct or incorrect, as it always includes a moral-normative component, which cannot be returned to the sphere of factual arguments.

However, Simon does not continue to pursue the rudimentary culturalist perspective thus introduced; instead, he is content to continue his analysis by turning his attention to the psychological and social factors determining the restrictions of rationality. He is not interested in studying values and moral; instead, the reference to the ethical nature of decision-making works as a part of a provocative argument, with which Simon is able to criticize the philosophical limits of economic rationality. Indeed, the analysis of normative choices becomes the positive description of actual behavioral influences evident in practice. Simon (1976a, pp. 84–96) distinguishes between various factors related to the decision-making process, such as compliance with operating principles that have proved to be functional, storing earlier experiences in

the decision-maker's memory, as well as operating methods learned over time. The decision-making process is guided by attachment of the mind to accustomed formulae.

The view in accordance with limited rationality assumes that an individual relies on various shortcuts when facing a complicated decision-making situation. To begin with, an actor may simply imitate the surrounding people who are in a similar situation. After this, they can try various alternatives until they find an operating method that would lead to a satisfactory end result. Of course, memory may color and filter earlier experiences. Once an individual has reached a particular satisfactory level of performance, they often try to consolidate the operations they have learned. In this case, they do not have to consider the detailed implementation of a task or a solution every single time; instead, the activity will turn into a habit once the employee becomes increasingly skilled at it. The organization as well drives individuals to act in accordance with learned habits and routines. It is not economical to elaborate on the assumptions behind decisions and actions every single time. Actors have learned a certain gut feeling they can use to adjust task performance or decision-making processes.

What does a limitedly rational, socially, and psychologically conditioned individual think about their role as a member of an organization? First, Simon has to outline the conceptualization of the relationship between the managerial apparatus and the subject. Simon defines the authority of a manager as the ability to frame and relay decisions with the assumption that the subject will approve the use of power (Simon, 1976a, p. 123). Authority is not related to communicative persuasion; instead, it reflects a straightforward hierarchical relationship. A subject is obliged to obey their manager due to their position. As Simon states, the management in a formal position of responsibility is the one who has "the final say" (Simon, 1976a, p. 129). On the other hand, Simon follows Barnard's views, and notes that managers mix methods of hierarchical authority with "softer" methods of influence, like persuasion, in order to manage the activities of the members of the organizations. Hierarchical commands have their limits.

However, the main message is that supervisors possess an authority stemming from their formal position, which they use to make their subjects act in the desired way. For this, the supervisor can use several sanctions, with which they can coax the subject into desirable behavior. Simon emphasizes the role of bureaucratic hierarchy in ensuring the maintenance of order in various ambiguous or antagonistic situations. Nevertheless, the dualistic attitude toward the power relationships within an organization continues when Simon addresses employee loyalty. He notes that individuals commit not only to organization-based objectives, but also to wider societal

values, which the employees have internalized through their membership in external groups. According to Simon, there is a contradiction between an organizational identity and a societal identity. An organization making decisions completely in accordance with external, societal norms is unable to operate purposefully, which is a prerequisite of the survival of an organization. Organizations have a distinct internal identity that should be preferred over institutional influences. As a member of an organization, an individual has to act in an impersonal way, as a part of the internal system. Personal social commitments should not transfer to the organizational decision-making process.

Various commitments motivate the way Simon treats identification. Identification is directed into a certain group, in case an individual considers during the decision-making process the consequences of a decision specifically for a particular group (Simon, 1976a, p. 205). In other words, the actor makes a value choice, whereby they choose a route with beneficial effects for their own reference group as their operating method. However, the commitment of individuals to the future of an organization does not happen naturally; instead, the identification process has to be influenced, so that the continuously varying connections of the members of an organization to various parties can be condensed into perspectives and attachments that are essential for the survival of an organization. Simon notes that the following are some of the factors that influence identification: a personal interest toward the success of an organization, an entrepreneurial responsibility about the result, as well as attention to concrete goals related to the employee's own task. He also suggests that an organization should divide the responsibility for the decision-making process so, that the employees on lower levels, for example, should only comment on operative matters related to their own job description. It would be wise to limit the discussion on various values and choices in such a way that individuals would pay attention to issues immediately related to their work tasks, rather than to considerations about the larger society and various interest groups.

Simon's approach to the construction of identity as the direction of an individual's commitments, either toward the organization or outside of it, seems to follow the tenets of structural functionalism. Indeed, Simon compares his approach (in the preface of the third print) to Parsons' (1937) role theory, according to which an individual is first thought to internalize the norms and roles of the social system before being able to become a functional member of an organization (Simon, 1976a, xxxvii). Roles are internalized positions or identities within a social system. In these, an individual becomes a functional part of an organization or a social actor. Simon admits that there is a close connection between the concept

of role, and the organizational factors of his decision-making theory. On the other hand, he notes that Parsons' norm theory does not sufficiently address the inherent strive for rationality in organizations; instead, it remains as a general description of various social action types. In other words, Simon accepts the assumption of the structural-functionalist norm theory about an individual having to adapt to a system in order to achieve functionality and actorhood, but he emphasizes the rationality requirements of actions more than Parsons does. This could also be paraphrased by saying that Simon accepts the structural premise of structural-functionalists and the black and white nature of identity (norms are either internalized or not), but he branches off from the analysis of the cultural or general nature of systems. The cultural approach, open to various social and psychological motivations of activities, is replaced with assumptions about external rationality and hierarchical systems, similar to the spirit of the classical organization theory.

Simon's discussion about the foundations of his thinking can be seen a representative case of the way the rational modern theory approaches the relationship between the individual and the organization. The first assumption is that individual action consists primarily of decision-making and associated evaluation, reasoning, and adaptation. *Behaviour is thinking, information processing, and decision-making in a sociopsychological environment.* To a large extent, the main emphasis within the analysis of organizations lies on a formal hierarchical organization, where the management has the power to make their subjects act in a certain way. *The relationship between a supervisor and a subordinate is not cooperative, but hierarchical.* On the other hand, employees are not just a part of an organizational bureaucracy, they are also members of other societal groups and institutions. However, using values external to an organization as action and decision-making criteria is seen as a problem. *An individual has to act impersonally in an organization, while maintaining the prevailing order.* Individuals cannot act freely in organizations; instead, they must identify with the goals and policies defined by management. For this purpose, the identity of individuals goes through an adaptation process, and is actively shaped into facing the direction of the future plans of the organization. Individual value judgements should be limited, for example, by clearly defining the limits of interpretive work and value judgement done during a work task. In principle, any thought processes involving lower-level choices should focus only on operative issues. *The identity of an individual should therefore be directed only toward the given task within the organizational division of labor.* The task of the management is to review wider strategic goals, and connections to the norms of the surrounding society.

4.3.2. ORGANIZATIONAL MANAGEMENT

The rational modern approach toward the general management of an organization is colored by structural-functionalist ideas. Organizations are structural systems whose parts and individual members adapt to changes in the organizational forms occurring on a higher systems level. Indeed, organization management mainly happens through the molding of the structural features of the system. Organizations are adapting organisms which adjust to the requirements of the environment. They can take various forms, depending on the situational context. This perspective is different from the classical perspective, which believes on the possibility of finding the one best way when designing organizations. Ideal organizational structures come in multiple forms.

The perspective of the rational modern theory on organizational management can be condensed into two main applications: the doctrines of *organization design* and *management decision*. The former is derived from structural contingency theory, while the latter is an application of the decision-making and the corporate behavioral theory on processes related to organization management.

Organization design denotes the conscious shaping of the structural features of an organization as a part of adapting and adjusting the organization to its external contextual factors. The idea behind this is evident in contingency theory, according to which an organization shapes its structure so that it would be suitable with the prevalent operating conditions. Organizational design includes not only the shaping of the structure, but also the shaping of the organization's boundaries and various processes. While the premise of the contingency theory is the deterministic and automatic adaptation of the internal structure of an organization to the requirements of the operating environment, the discussion on organizational design emphasizes more clearly the active role of management in determining structural characteristics. However, the basic premise is that an organization is a system that can be defined objectively, and shaped consciously. In other words, this perspective emphasizes the nature of an organization, similar to a system like a specific living organism, the various parts of which can form various configurations. On the other hand, it is a case of a hierarchical system, where the management has the power and the responsibility to look after situational analyses of the general level. The management is also the level that implements structural changes in top-down style. In this process, lower levels and employee groups appear as tacit followers whose task is mainly to adapt their own activities with the change instructions coming from above.

The various forms of organizational structure are the most well-known expression of the approach of organizational design

(e.g., Daft, 2010). Organization can have a simple structure, similar to a small business, where the entrepreneur-manager themselves are actively involved in various processes, and where the division of labor is not yet developed. A slightly larger organization already requires a more organized operating structure, where experts and departments of various fields work immediately below the level of the manager. Rational structures begin to form within an organization. In the so-called divisional structure, an organization is divided into divisions or business units according to products or market areas. Each division has their own manager and separate subdivisions. Divisions in turn are in a hierarchical relationship with the top-level management of an organization, who is assisted by separate staff. More innovative structural forms combine operation-oriented and product-based logic, like in matrix organizations, for example. The temporary structures forming around projects and teams, controlled from the top of the organization, are even more flexible forms. In general terms, the analysis is about the choice between *mechanistic* bureaucracy, and a flexible or *organic* form of organization. These represent the extremes of the traditional structural dimensions. In mechanistic organizations, operations have been standardized so that it is easy to allocate them to an employee, regardless of their skills. Formalization, that is, the level of formality is also high. In the mechanistic form, the decision-making power is concentrated in top-level management. The area of responsibility and the number of subjects of each supervisor is relatively small, due to the fact that there are several levels of hierarchy. Each employee is specialized in a particular field of tasks, in accordance with the division of labor. Relatively little spontaneous communication occurs, or communication that is outside of the reporting relationships. An organic or flexible organization, in turn, avoids the standardization of work tasks, and the formalization of operations. Power has been dispersed among lower levels and departments. There are fewer levels of hierarchy compared to a mechanist organization, which is why the areas of responsibility are larger. Administrative work requires less attention. On the other hand, each job description may include various operations and interactions with other departments and employees.

Recently, the discourse of organizational design has been extended further, to the discussion on the principles of organizing, pertaining also to organizations' limits. This debate is widely known as the discourse about the relationship between markets, hierarchy, and network (Powell, 1990; Thorelli, 1986; Williamson, 1975). Operations can be carried out within a traditional corporate organization – within a mechanistic or organic variant thereof – but also by organizing individual operations or individuals into separate entrepreneurial units in accordance with the market mechanism.

In the latter case, the coordination and control of the operations occurs by the "invisible hand" of the market mechanism instead of being explicitly coordinated through bureaucratic structures and managerial actions. The public sector has also moved toward markets, when public services and administrative operations have been outsourced or privatized. Generally speaking, in the market mode, organizations try to create market-like conditions to the internal activities; for example, by placing some employees in the role of a customer, by bidding and purchasing services from providers. The providers may be the former departments or employees of the same organization, who have been transferred to external markets through outsourcing projects. The third option is a network-like structure, where individual actors or micro-organizations are connected to each other, for example through long-term contractual relationships. A network is different from a market insofar as its various parties are often dependent on each other. A dependency relationship creates commitment on both sides, which keeps the business partners cooperating for longer periods of time. Many supplier and subcontractor relationships may transform into something similar to networks. In sum, markets and networks represent radically different modes of organizational forms that do not primarily rely on structural properties of organizing, but instead prioritize the role of social or customer relations in the unfolding and emergence of the processes of organizing. As such, they are to some extent beyond the scope of the traditional coverage of the structural contingency theory.

After structural adaptation phase, the process of organizational design progresses toward the shaping of organizational behavior and organizational processes. For example, the method for managing employees must be chosen. Organization may follow the Taylorist views, which highlight the role of monitoring and discipline. On the other hand, it can adopt a more humanist approach where people are seen as developing creatures who need support and encouragement for them to grow in tasks and career paths that motivate them. The more humanist form of organization relies on the internalization of shared values and norms in fostering uniform patterns of social behavior. The Taylorist model, instead, focuses mainly on the mechanisms of measuring and monitoring performances. Organization can encourage an employee to have more extensive know-how, by providing a wide range of various training opportunities. On the other hand, in a more hierarchical version, training is given strictly within the context of a particular job description. Remuneration can be mentioned as the fourth aspect. In a mechanistic structure, remuneration is closely connected to each particular task and to the appropriate conduct within the realm of each task description. Possible performance-related pay is often connected to individual, measurable work performances. In a

Table 4.1. Traditional and Modern Decision-Making Techniques.

Type of Decision	Decision-Making Techniques	
	Traditional	Modern
Programmed		
Routine, repetitive decisions	1. Habits	1. Operations research (mathematical analysis, modeling; computer simulation)
Organizations develop specific processes for handling them	2. Standard operating procedures	2. Electronic data processing
	3. Organizational structure	
Nonprogrammed		
One-shot, ill-structured novel, policy decisions	1. Judgement, intuition, and creativity	Heuristic problem-solving techniques applied to:
Handled by general problem-solving processes	2. Rules of thumb	(a) training human decision-makers
	3. Selection and training of executives	(b) constructing heuristic computer programs

Source: Simon (1977, 1st ed., p. 48). Reprinted with permission of Pearson Education, Inc., New York, NY.

flexible model, remuneration is connected to the performance of a larger group, or even of the entire organization, over a long time period. Remuneration is not tied to technically defined performance indicators, but on wider qualitative issues, such as collaboration skills and innovation.

Management decision refers to the systematization of the management's and employees' information processing and problem-solving with rational, IT methods. Herbet Simon became interested in the opportunities provided by computers as supplements to the human decision-making process. He held a series of lectures at the business school of New York University (School of Commerce, Accounts and Finance) in 1960. In these lectures, Simon outlines his perspective on the role of computers in the managerial processes of organizational decision-making. According to Simon (1977), decision-making had progressed after World War II. War was a major step forward in rational analysis and planning techniques. This becomes clear when comparing decision-making in its traditional form to solutions made with modern, mathematical and electronic techniques (cf. Table 4.1). Simon divides decisions into two categories: programmed and nonprogrammed. Programmed decisions

occur in connection with routine technologies and tasks. As contingency theory suggests, routine tasks can be systematized by standardized operating approaches and structural methods. On the other hand, nonprogrammed decisions cannot be solved by systematized methods; instead, a different kind of, more intuitive logic and situational reasoning has to be applied for these. Programmed decisions have traditionally been implemented by standardizing solution formulae in a congruent way, after a functional routine has been found. The organizational structure supports standardized decision-making by giving everyone similar background information and background assumptions related to the problem-solving process. Nonprogrammed decisions, in turn, have traditionally relied upon the intuition brought by the managers' own experience; and it has been possible to improve this intuition to some extent by selecting and training managers who have enough sensibility and a broad scope for the intuitive solution of complex problems.

The modern approach aims to replace the methods relying on the organizational structure and human experience with techniques provided by cognitive simulation and mathematical models and computers. According to Simon, it will be possible to make programmed decisions with rational techniques. The modeling analyses of operations research will replace the routine-based reasoning of administrative employees in problem-solving situations. At the same time, computers will make human information processing more efficient. Decisions do not need to be left relying on administrative structures and managerial wisdom. Computers will partially replace the human contribution to decision-making. Indeed, Simon compares the implementation of computers and rational optimization methods to the breakthrough in manufacturing technologies developed by Taylor and his contemporaries. The goal is to mechanize information processing and the administrative decision-making practices.

Nonprogrammed decisions form a separate challenge, as these cannot be modeled in the same way as routine decision-making situations. At the same time, however, Simon argues that human thinking in organizational situations can be imitated with computer programs. Cognitive psychology has advanced to such an extent that it can be used to create programs that try to simulate the limited human intelligence. According to Simon, computers can be programmed to imitate the process where decisions are made, while limiting the various options to a simpler format, which corresponds to the actual human decision-making process. He refers to these as heuristic support programs for the decision-making process. Heuristic programs fix the excessive complexity of mathematical programs, and the large amount of information, by streamlining problems into such a simple format through which managers and other people can make decisions despite any human limitations.

On the other hand, Simon remarks that human decision-making in nonprogrammed situations could also be improved in the light of the new scientific understanding. Not all creative decision puzzles can be solved by computers. Indeed, Simon proposes that the human side of the decision-making process would also be improved, for example by training future managers to recognize and develop intuitive interpreting and reasoning processes. However, the recognition of the irreducibility and autonomy of human intuition is overshadowed by scientific objectification, as Simon strongly believes that with the help of this new knowledge, it is possible to identify the workings of a subjective mind in a way that would not leave room for unconscious influences. Modern approach, for Simon, cleanses organizational creativity and wisdom of its intuitive and unconscious aspects, favoring instead the scientific potential of the new computing technologies.

4.3.3. THE RELATIONSHIP BETWEEN ORGANIZATION AND ENVIRONMENT

One of the most significant contributions of the rational modern theory to organization studies has been the development of the analysis of the connection between organizational structure and the operating environment. Before the rise of the contingency theory, the organizational-theoretical studies on the effects of the environment were limited. The operating environment was implicitly considered to be composed of societal structures and influences, as for example in the early institutional analyses of the cultural modern theory (Selznick, 1949). However, contingency theory brought the relationship between the organization and the environment to the forefront of organizational analysis. As a result, organizational theory moved a step upwards in the level of analysis, away from the analyses of internal management processes and social organization methods, and toward the relationship between the focal organization and its environmental context.

4.3.3.1. The Contingency Factors of an Organization's Operating Environment

Various attempts have been made at describing the operating environment of organizations (Table 4.2). Joan Woodward's study (1958) was the first to introduce technology as a contextual factor. She distinguished between companies oriented toward mass production, unit production, and process-technology. It was thought that the type of production technology determines which organizational structure suits the prevalent situation best. Thompson and Perrow developed the role of technology even further. Thompson (1967) refined the categorization of technologies presented by Woodward.

Table 4.2. Main Contingency Factors.

Contingency Factor	Variation Extremes
Technology	Mass production – craft production
Size	Large – small
General condition of the environment	Stable – turbulent
Business strategy	One business area – several business areas

He outlined three types of technology. The first category was that of long-linked technologies, where the conveyor belt method is used to shape standardized inputs into standardized outputs. Thompson referred to the second type as mediating technology, where an organization gathers independently occurring work performance operations together. An example of this could be a sales organization, whose main operation takes place through decentralized offices and booths. The third production type was intensive production technology, where various operations were closely intertwined during the compilation process of a product or a service. Complicated service activities requiring team work, such as a demanding medical surgery, belong to this category. Thompson broadens technologies toward service operations. Perrow (1967) develops Woodward's ideas even further by emphasizing the variation of technologies in different departments. In his interpretation, the technologies of departments or corresponding sections lie between two extremes: routine technology and the artisan approach. Routine technology is used when work-related tasks can be analyzed well, and do not vary to a great extent. Craft technology, in turn, is applicable in situations where work cannot be analyzed and rationalized. In case this type of technology occurs in a greatly variable milieu, Perrow refers to it as non-routine technology. On the other hand, if the technology under scrutiny is involved in a lot of variation, this is an approach to the manufacturing process that is referred to as engineering technology. Perrow's classification follows the ideas of other contingency theoreticians to the extent that it juxtaposes a bureaucratic, Taylorist model with a flexible, organic one. Routine technology requires a mechanistic form of organization, while a variable, case-based craft technology requires an organic form.

Size is another contextual factor. On a general level, the increasing size of an organization denotes the bureaucratization of the entire structure. This is predicted already by the categorizations of structural formats, where a simple structure is connected to an entrepreneur-centered company, while a further developed division of labor is linked to a larger amount of people. The significance of size was particularly emphasized by the so-called Aston school, which dominated contingency theory in the early 1970s (Pugh, Hickson,

Hinings, & Turner, 1969). Based on empirical quantitative studies, the works of this group of scholars, based at Aston University in Birmingham, UK, highlighted the rule that a larger size is related to increased specialization within the organizational structure. At the same time, formal mechanisms, such as performance reporting, aimed at coordination between the various units of an organization will strengthen. Size is also relevant to Peter Blau's work. He emphasizes the increase in the structural diversification of an organization as its size increases (Blau, 1970). Groups focusing on a particular subtask will form within an organization, and these will diverge from the direct control of the management. In a similar vein, in organizational lifespan models, for example in Greiner's (1972) scheme, the development stages of the organizational form are viewed as directly related to size. The first growth stage will end in a leadership crisis when an entrepreneur-centered organization has to start using professional managers as a part of the increased formality of the organization. The following stages alternately increase and relieve bureaucratic monitoring and administrative structures. The company's organization aims to find a balance between the increasing structural fragmentation, and the owners' need for control and monitoring on the other hand. A growing size adds specialization and fragmentation, but it also forces an organization to rely on formal coordination and control mechanisms in order to manage increasing segregation (Greiner, 1972).

Analysis of the general stability of the environment can be distinguished as the third context type. For example, Burns and Stalker's (1961) work does not highlight any individual contingency factor of the environment, but rather, the general nature of the operating environment. At its simplest, two categories can be distinguished: a stable and a turbulent operating environment. Burns and Stalker connect a stable environment to the mechanistic, and a turbulent environment to the organic organization. An unstable market situation, financial crises, and even changes in legislation, are examples of the turbulence of the environment, in which the form of an organization will transform into organic. Perrow (1967) and other technology theoreticians as well indirectly highlight uncertainty, because in their analyses, production technologies influence the selection of an organizational structure namely through the uncertainty related to the complexity.

The fourth factor, slightly divergent from the previous ones, is the role of organizational strategy as a contextual dimension. Strategy is a factor that does not lie completely external to the organization, as it has often been compiled in the top-level management of the company. Strategy is the conscious selection of the line of business areas for an organization, which is not determined directly by the characteristics of the operating environment. In his

classic study, the economics historian Chandler (1962) stated that a large company that has chosen the strategy of diversification accepts a multi-divisional structure where each performance unit or division form each own mini-company with the relevant functional departmental structure. However, a company operating in one field is in a different situation than a multi-divisional group. The business coverage of a single-field company is smaller, and as a result of that, the adaptation requirements directed at its organizational structure are different than those of a conglomerate.

4.3.3.2. The Adaptation of the Structure to Contextual Environmental Factors

The main focus of contingency theory is on the adaptation of an organizational structure to its environment. There is a static aspect related to adaptation, which aims to reach internal and external compatibility of the various parts of the organizational structure. An organization should be internally congruent, as far as its structure, management style, culture, and organizational behavior is concerned, that is, the extent of each organizational structure should be compliant with the operating method required from the entire system. It is essential for the form of organization to be compatible with the contextual situation of the environment. In contingency theory, the structure must suit the context. On the other hand, the context defines or determines the structure. In simple models, compatibility is analyzed with dichotomous definitions. A contextual situation like, for example a stable or a turbulent environment, requires either an organic or a mechanistic organization. The models that apply a more nuance views on the different structural form analyze various intermediary options between the extremes (e.g., Burrell & Morgan, 1979, p. 177). It is possible to describe an organization's environment in a more refined manner between the extremes; and it is also possible to characterize organizational requirements set for a form of organization in a more specific way compared to dichotomous models. However, the match between the context and the structure is paramount.

Even though contingency theory is not an actual process perspective, it views the adaptation of the structure with the context as a gradually progressing process of change. An organization must constantly monitor its surroundings and its status. A new contextual state requires for an organization to change in accordance with the changed situation. The profitability of an organization is an indicator of the success of this match. Successful compatibility will lead to a successful result; an unsuccessful connection is evident as weak performance ability. For example, Donaldson (2001, p. 12) had stated that the adaptation of the structure to contingency factors can be interpreted as a continuous process, where managers and others aim to adapt the

organizational structure while taking the environmental requirements into consideration. Underperformance of an organization leads to the need to check the prevailing fit of organizational structures against the potentially changing environmental contexts, after which the satisfactory performance should be regained for the time being. The checking of the match between the external context and the internal structure is seen as an ongoing process within the broadly immutable social ontology of the contingency theory paradigm.

4.4. Summary and Discussion

The rational modern theory develops the ideas opened by the cultural modern even further. It is different from the perspective of the human relations movement and other cultural modern approaches, as it is more scientific and analytical than the aforementioned approaches. Quantitative methods and the optimization of the organizational structure with techniques similar to operational analysis belong more clearly into this approach. Epistemology is strongly objectivist. The rational modern presents the behavior and ordering of organization as a structural problem that can be addressed with the information produced by scientific analysis. On the other hand, ontologically speaking, the theory continues the structural-functionalist system view outlined by the cultural modern theory. Organization is a system adapting to a wider societal ecosystem, and the combinations of the various parts thereof will result in a particular form of organization at any given time. The shaping of the structure is related to the contextual factors within the environment of the organization. Adaptation within an organization is tied to wider macroeconomical societal and market-related factors. The decision-makers within an organization strive to take these circumstantial factors into consideration, to the best of their abilities. On the other hand, the human decision-making process is only limitedly rational even at best, which is why situational evaluations made by managers should be complemented with objective and systematic information about the contextual dynamics surrounding the organization.

Despite their shared structural-functionalist and objectivist basis, the two basic theories of the rational modern have slightly different emphases (Table 4.3). Contingency theory is more clearly a systems level approach, where organizations are treated as entities adapting to higher-level functional demands. Decision-making theory, in turn, focuses on a thinking individual who makes decisions in the sociopsychological context of organization. The approach is more individualistic than in contingency theory. In addition, while contingency theory is primarily concerned with the problem of the match

Table 4.3. Premises of the Contingency Theory and the Decision-Making Theory.

	Contingency Theory	Decision-Making Theory
Main contributions	Woodward (1958)	Simon (1947/1976b)
	Burns and Stalker (1961)	March and Simon (1958)
	Thompson (1967)	Cyert and March (1963)
	Perrow (1967)	
	Pugh et al. (1968, 1969)	
Background theories	Systems theory	Cognitive psychology
	Structural functionalism	
	Evolutionary theory	
Approach	Structural-objectivist	Individualist-objectivist
Levels of analysis	Relationship between the organization and the environment	Individual in the organization (decision-makers)
	Organizational management	Relationship between the organization and the environment (Organizational management)
Main problem	Adaptation to environmental factors	Decision-making under bounded rationality
Solution methods	Analyzing the operating environment	Learning from experiences
		Managing uncertainty
	Compatibility between the internal organizational structure and the external environment	Developing information processing with mathematical methods and computer programs

between the external context and internal structure, decision-making theory emphasizes more clearly the inherent limits of human and administrative rationality. While in comparison to contingency theory, the cognitive decision theory can be seen as being less rigidly objectivist, it nevertheless displays an unmistakable modern optimism in the way it addresses the innate uncertainty characterizing organizational life, especially in the later work of Simon. Uncertainty can be managed by learning from experiences or by resorting to computer modeling of decision situations. In that sense, organizational rationality, although seen as being bounded by human information-processing limits, is not completely irrelevant for the efficient functioning of organizational systems.

The rational modern theory, though already over half century old, is still in use in several substantive research domains. Even though it has moved to the margins of contemporary theorizing in organization studies, the perspective is extensively used as a background paradigm in modernist management studies. Contingency theory provides information for the organizational-analytical study

of specialty fields, for example personnel management (Boxall & Purcell, 2008) while the connection it outlines between production technology and organizational structure is still strongly evident in industrial engineering and operations management (Hanisch & Wald, 2012; Sousa & Voss, 2008). Cognitive decision-making theory, in turn, strongly influenced the background of discussions related to knowledge management and organizational learning (Argote, McEvily, & Reagans, 2003; March, 1991). Both contingency theory and behavioral decision-making theory have also influenced the creation of a new generation of theory. Evolutionary research approaches in management studies rely strongly on the groundwork laid by both schools, in including the systems theoretical perspective as a part of the analysis of organizations (Nelson & Winter, 1982). In general, the heterogeneous field of different scholarly and intellectual realms where organizations are analyzed as adapting, open systems in the context of higher-level context can be viewed as the descendant of the line of approach opened by the rational modern paradigm (Van de Ven, Martin, & Hinings, 2013).

Structural-functionalist ideas remained the leading trend in organizational theory until the 1970s. The position of structural-functionalism was supported by the hegemony of Talcott Parsons' systems theory approach in sociology, and also by the popularity of positivism in behavioral sciences. The gradual introduction of organizational studies into business school curriculum and faculty in its part contributed also the enduring popularity of the rational systems theory over the years. In many management departments, structural systems approaches is equal to the essence of organization theory still today. Systems functionalism was a convenient paradigm to be used to fill some of the research-related and theoretical gaps in business schools. The view toward organizations as structurally imagined, manageable systems in market-type economic-societal operating environments (Guillén, 1994) provided an approach for the analyses of organizational behavior that highlighted the diversity of different contextual situations without lapsing toward relativity. The multidisciplinary program of the decision-making school, in turn, successfully combined scientists from various backgrounds with the empirical analysis of problem solving in business management, feeding into the emerging "scientification" of business school education (Khurana, 2007; Mintzberg, 2004).

At the same time, however, the connections to the general sociological discourse remained intact. Some contingency theoreticians worked at sociology departments and continued to participate in the discussions related to social science theory and methodology. The border line between organizational theory and the rest of the social sciences had not been completely closed off. In the 1960s, the modern belief in the objectivity and progressive nature of scientific

knowledge was increasingly criticized within Western society and academia. This led to a crisis of modern functionalism in social research (Gouldner, 1970). The analysis of organizations as systems started to gradually fade out, and new, alternative movements were born within organizational theory. Rational system functionalism remained a viable discourse within certain specialty fields such as strategic management (cf. Boyd, Haynes, Hitt, Bergh, & Ketchen, 2012), while sociological organizational theory embarked on its own interpretative and critical turns.

CHAPTER

5 Interpretative Organization Theory

The paradigm of modern organizational theory had a long influence, all the way to the 1970s, when it gradually started to weaken. The theory and the practice were at a turning point. The long and steady economic growth came to a halt with the oil crisis of 1973. The time of uncertainty in the global economy began. In 1968, students across the world protested against the values and structures they considered to be stagnated. The new generation wanted to gain some distance from the worldview of the previous age groups. This included the structural-functionalist school of thought, which highlighted the unity of society at the expense of versatility and freedom (Casey, 2002). In turn, in the year 1972, a think tank by the name of the Club of Rome published the report "Limits to Growth" (Meadows, Meadows, Randers, & Behrens, 1972), which outlined a gloomy perspective of the future. The idea of continuous economic growth, it argued, would be impossible, because energy resources and food production could not meet the human population's ever-increasing resource needs in the future. *Limits to Growth* was a part of a wider discussion that started to analyze critically the assumption of the continuous development of modern society toward greater human and economic well-being. Modern technology and economy did not have a sustainable basis.

These and related phenomena had their effect on organizational theory, as well. Organizations had been seen as tools for achieving the various goals of a modern society, and as social systems behaving in accordance with their independent dynamics. Now, new movements tried to open up the structural-functionalist view on organizations as neutral "black boxes," and instead, to show

organizations as more versatile, as communities consisting of different individuals, groups and social relationships, which have similar structural tensions and polarizations as in the wider society. The analysis unfolded in two partly different directions: first, the aim was to highlight the subjectivity of the members of an organization, by describing the organization as a system of meanings construed by the interaction of the actors. This was to some extent a more intra-scientific shift, prompted by the search for alternatives to systems functionalism. On the other hand, the attention was focused on the organization as a structural microcosm, where the main analysis concentrated on the effects of societal structures and power relationships in the forming of organizational phenomena. The interpretative approach, appropriating the role of subjective meanings, was the first of these to open up.

5.1. Interpretative Social Theory

Generally speaking, interpretative social theory follows in the footsteps of Kant's (Kant & Guyer, 1998) distinction into phenomenal and noumenal realms of reality. According to Kant, the thing-in-itself, or the noumenal reality is basically beyond human comprehension and that the world can only be known through the faculties of understanding pertaining to the phenomenal reality of frames of interpretation and universal cognitive schemes. Although for Kant the cognitive schemes and forms of perception equipping human understanding were transcendental, and thus, themselves possessing objective validity as foundations of knowledge, the post-Kantian schools of thought sought to remove the metaphysical aspects of the phenomenal interpretation and understanding the world, focusing the attention instead to the immanent process and context of interpretations that were necessary for a sensible and intelligent human reality. Kant's metaphysical problem of the universality of the categories and schemes of understanding becomes an epistemological challenge of studying the emergence of social knowledge from the interpretative operations of individuals and groups and the consequences the subsequent understandings have for social order.

Perhaps the most well-known sociological developer of the neo-Kantian program that flourished in the latter part of the 19th century was Max Weber (Kim, 2012), who is regarded as the pioneer of interpretative social theory. In his methodological writings, he outlines the idea of sociology as a human science studying meanings related to the activities of individuals and groups. In Weber's view, social phenomena should be researched by understanding and reconstructing the actor's perspective and the way in which action is rendered meaningful. As Weber formulates his stance, sociology is a

science, which "seeks interpretatively to understand social action and thereby causally to explain its course and effects. We can speak of' 'action' if – and to the extent that – an acting person, or acting persons, attaches a subjective meaning to his (her) or their human behavior. However, 'social' action should mean an action that … takes account of the behavior of others and is oriented in to his behavior" (Weber, 1968, p. 4). Weber ambitiously tries to combine the interpretative understanding of subjective meanings with the objective analysis of externally valid general causal relationships.

5.1.1. PHENOMENOLOGICAL SOCIOLOGY

The Austrian social philoshoper and businessman Alfred Schutz (1932) continued Weber's work related to the analysis of meanings. He tried to fix the holes in Weber's theory by drawing upon the school of philosophy known as phenomenology, developed by Husserl (1900). Phenomenology of Husserl is an attempt to describe the most basic aspects of the human experience related to the emergence of Kantian phenomenal reality. It postulates that the mind is in its primary operations already oriented toward distinct objects or goals as it embarks on the encounter with the world and the others. Husserl calls this background feature intentionality, claiming that it precedes any rational or conscious attitude in human existence and behavior. Schutz became renowned for developing the interpretative approach from Weber's action sociology toward a more philosophically rigorous program of phenomenological sociology. He took Weber's idea of social action as behavior that is imbued with meaning, taking it one step further by using Husserl's notion of intentionality to be able to describe the more fundamental operations of the human mind in the emergence of the phenomenal reality. At the same time, however, he followed the sociological project of Weber and used the phenomenological principles mainly to establish a view on the social process of generating sociality through the attachment of meaning to the actions of the others instead of pursuing the more ego-centered project of Husserl.

However, it was eventually Schutz's students, Peter Berger and Thomas Luckmann, who were the ones who made the sociological audience aware of phenomenological sociology. The book that they published in 1967, *Social Construction of Reality: A Treatise in Sociology of Knowledge*, became a classic. This book was the first to launch the concept of social constructionism, which was later used to refer not only to the phenomenological sociology developed by Schutz, Berger, and Luckmann, but to a wider extent, to the entire field of interpretative social sciences, as well. Berger and Luckmann took the idea of the subjective basis of the social reality forward by outlining a conceptual reference framework, with which

it is possible to analyze the dialectics between subjective and social reality. As a consequence of inter-subjective interaction, operations gradually become habitual. People start to carry out activities without any conscious thinking. At the same time, forms start to shape for different individuals, wherein they are recognized as actors of a particular type. Habitual behavior is further established as an institution, where the types and roles of operation are clear. A formal organization with its hierarchical levels and division of tasks is one example of a greatly institutionalized reality. Institutionalization is followed by the objectification of the operating methods, where new participants are introduced to established methods as if these had always been in existence. The new member of an institution is taught how "things are meant to be done here." Reality is objectified, and it diverged also from the original members that influenced its genesis. On the other hand, objectification and the establishment of organized operations create a need to justify why it is necessary to operate as is customary. This is a matter of legitimization, that is, the justification of the objective features of an institution. Legitimization is a more rational explanation for the birth and meaning of an institution, rather than the phenomenological description of its true inter-subjective birth path. This is a retrospective attempt to justify institutionalization, which may have begun from random interaction, and the unnoticeable establishment of standard operating methods that followed.

The strength of Berger's and Luckmann's social constructionism lies in how institutionalization is treated. The American tradition that developed in parallel with the European interpretation became more clearly focused on the methods of actors for attaching meanings to various situations and to fellow people, during the course of interaction. Harold Garfinkel, for example, who also drew upon Schutz's phenomenological ideas, does not assume that actors internalize objective reality mechanically during socialization processes; instead, for him, individuals are constantly involved with the construction and fine-tuning of the social order. In Garfinkel's ethnomethodology, situated actors are skilled in parsing together a sense of order by their using practical and discursive knowledgeability. In Garfinkel's (1967) view, social reality is shaped and patched in everyday interaction situations without the operation necessarily ever becoming a sphere as institutionalized and objective as Berger and Luckmann suggest.

Garfinkel was a PhD student under Talcott Parsons, and he positioned his work largely against Parsons' structural functionalism. Garfinkel criticized Parsons' structural functionalism for assuming people to be "cultural dopes," who blindly follow internalized norms. Ethnomethodology tried to provide an alternative which would take the situational creativity of the actors into better consideration.

Garfinkel (1967) showed the active role of actors with his famous breaching experiments. In these experiments, he requested his students to ask "stupid questions" in everyday interaction situations. The goal was to highlight that unnoticed work which the actors themselves continuously do in order to create a sense of ordered reality. In these experiments, for example, Garfinkel's students answered the familiar question "How are you" with the additional question, "What do you mean by asking how I am? Are you referring to my health, my finances, my studies, my peace of mind, or …." The consequence of this was often irritation. In this particular experiment, the person who asks the question becomes flustered and states, "Hey! I was just trying to be polite? I'm actually not really interested in how you are doing." These experiments showed how fragile the shared social understanding really is. At the same time, it became evident that rational, socially coherent behavior is not shaped top-town in accordance with norms, like structural functionalism assumes; instead, actors are considerably more creative when they strive to construe meaning into various situations.

5.1.2. HERMENEUTICS

Interpretative paradigm has been mainly based on the phenomenological approach developed by Schutz and popularized in sociology by Berger and Luckmann and Garfinkel. However, in the post-positivist methodologies focusing on sensemaking work and understanding in organizational contexts, strictly phenomenological insights of "social constructionism" were often blended with inputs from related streams such as hermeneutics and semiotics. Hermeneutics is a classical tradition in the humanities, originating in the ancient practice of interpreting religious texts. In the modern era, it was developed into a distinct social science approach by Schleiermacher and Dilthey (Ramberg & Giesdal, 2014). The classical hermeneutics was interested in recovering the intended meanings of text by way of empathetically engaging and reconstructing the mind of the author of the original articulations. The hermeneutic mission involved attending also to the broader milieu from which the particular acts of textual expression emerged, hence striving for a historical sensitivity for the cultural mentalities working in the background of individual acts of signification. Dilthey's approach introduced a method of understanding or Verstehen, where the interpreter strives to mediate between the present and the past to re-enact the original intentions of the text and its author (Prasad, 2002). Philosophical hermeneutics as developed by Heidegger and especially by Gadamer (1975), in turn, introduce a higher level reflection on the epistemological and ontological implications of a hermeneutic worldview. Heidegger's Dasein, or the inseparability the subject and the object

in the existential situations paved way for Gadamer's view, where the interpreter and the cultural objects are seen as reciprocally constituting each other in dialogic acts of hermeneutic interpretation. Interpreters are absorbed into the meanings of a text as they engage in an empathic understanding of the cultural object. For this kind of "fusion of horizons" to take place, the interpreter, however, needs to be aware of his or her prior beliefs and prejudices that may limit the required openness to the inherent meanings in the text. In the post-Gadamerian hermeneutics the self-reflection and auto-critique of the interpreter's own implicit assumptions and frames of meaning becomes an essential element in the process toward the recovery of the meaning of a text or cultural artefact. Finally, the idea of the hermeneutic view of understanding and meaning making has been introduced into critical theory by Habermas (1984), who blends hermeneutics with a Neo-Marxist tradition of ideology critique in his theory of communicative action.

As Prasad (2002) notes in his review of the use of hermeneutics in organizational research, the main bulk of studies claiming to draw upon the hermeneutic tradition display a limited understanding of the theoretical premises of the approach. Most studies apply hermeneutics selectively or metaphorically to inform a research approach consistent with the general interpretative strand of qualitative research instead of reflecting on the rich background of the classical, philosophical, and critical streams in the genealogy of the hermeneutic thought in social sciences. Curiously, some of the main contributions into hermeneutic organization theory have appeared outside of the core OT domain (Boland, 1989; Francis, 1994; Lee, 1994), whereas in organizations and management journals, hermeneutics is often used in a more metaphorical fashion (e.g., Gabriel, 1991) or introduced in the form of "critical hermeneutics" attributable to the work of Habermas (Phillips & Brown, 1993). The rich tradition of hermeneutics, spanning centuries of scholarly effort and a large number of different academic specialisms ranging from theology to jurisprudence to philosophy, has left a surprisingly thin mark on the development of interpretative organization theory (Thatchenkery, 2001), despite the centrality of hermeneutic concepts like text, meaning, and dialogue in the evolving theoretical discourse.

5.1.3. SEMIOTICS

Interpretative approach was developed partly in connection to a broader culturalist stream in organization studies that took the symbolic and subjective aspects of organizations as the focus of new epistemological and empirical research program (Hatch, 1997). Here semiotics, or the study of sign structures, emerged as a viable theoretical resource. While phenomenology and hermeneutics share

a common root in the post-Kantian landscape of German philosophy, semiotics is informed by structuralist thinking more emblematic to French social thought. Semiotics studies the structural characteristics of meanings. It is largely based on the linguist Ferdinand de Saussure's (1915) structuralist linguistics. According to Saussure, language can be analyzed as a sign system, where individual symbols or concepts become understood as a part of the network created by terms. Saussure argued that language is not a tool expressing the internal intentions of its speaker; instead, it is a socially shaped system of signs, which is independent of the individual subject. The relationships between concepts are culturally agreed.

Semiotics diverts the attention to the underlying structures that permeate the formation of social meanings in organizational interpretations. In the study of organizational culture, it was one of the traditions that informed the revitalization of cultural analyses in the post-functionalist era. For example, Barley (1983), Broms and Gahmberg (1983) and Fiol (1989) employed the ideas of Levi-Strauss, Jakobson, and Greimas to inform a rigorous study of the deeper sign structures instilling the appearance of organizational surface phenomena with more basic meaning. In contemporary organization research, however, the full blown semiotic framework is harder to come by. The most apparent application of semiotic thinking lies in the use of narrative approaches to the study of organizational meaning making and signification. In this context, semiotics is often reduced into one alternative perspective on the dynamics of stories, often taken as the early stage of organizational narratology that has since been enriched with more phenomenological and postmodern insights into the acts of situated storytelling and sensemaking (e.g., Boje, 1991, 2001).

Semiotics entered organization theory at a time when poststructuralism was already making its mark to the wider social theory community (Giddens, 1979), and not much later, to organization theory (Cooper, 1997). This might account for the relatively swift move to appreciate Saussurean structuralism mainly in its poststructuralist form, especially as influenced by the work of Derrida (1976). Semiotic theory by and large succumbed to margins of theory development in the 1990s as poststructuralism brought a radicalized version of structuralism, stripped of the ontological conservativeness and a-historicity that had been the hallmarks of semiotics. The study of universal myth structures and stabilized relations of signs gave way to the idea of "free float of signifiers" and historically specific discourses.

Indeed, both semiotics and hermeneutics suffered the faith of being predominantly introduced and framed from stance point of the latest waves within the focal traditions that synthesized the approaches with alternative philosophical inspirations, modifying

the original programs in a considerable degree. Derrida's deconstruction radicalized the Saussurean structuralism with the help of dialogues with Heideggerian historicist existentialism whereas Foucault fused structuralism with the philosophy of Nietzsche. The resulting poststructuralism turned to concerns and issues that were relatively alien to the original semiotic project of uncovering scientifically the deep structures of cultures and institutions, hindering thus a rapprochement between semiotics and poststructuralism. In the same vain, hermeneutics took a stronghold in organizational research in the form of the grand theories of Habermas, himself primarily a successor of the Frankfurt School of Critical Theory. Hermeneutics entered the consciousness of organizational theory in the form of "critical hermeneutics" that stressed the role of hermeneutic interpretative action as a method of practicing late modern ideology critique. After a brief period of intensive interest, both hermeneutics and semiotics have caught only limited amount of substantial attention in the mainstream organization theory discussions.

5.2. David Silverman's "*The Theory of Organizations*"

Of all the different approaches analyzing subjective meanings, social constructionism and ethnomethodology were the ones which offered a basis for the first steps of the interpretative approach. Relying on these, the British sociologist David Silverman constructed a new kind of approach for the sociological research of organizations in his book *The Theory of Organizations* (Silverman, 1970). Silverman's starting point is to return organizational theory to the general sphere of sociological or social-scientific analysis. Empirical research had taken organizational studies strictly toward methodical and research-operational questions. At the same time, researchers had been unable to challenge the underlying assumptions of structural-functionalism; instead, the development of systems theories and the contingency theory seemed to be progressing steadily, without any competing paradigms.

Silverman makes it clear in his book that his goal is to develop an organizational theory with a tight connection to the general theoretical field of sociology. On the other hand, he praises structural-functionalism for its attempts to lead organizational studies away from practical questions, and toward more conceptual ways of analyzing the operating dynamics of organizations, as is more characteristic of scientific research. However, the focal point lies specifically in the critical analysis of Parsons' structural-functionalist systems theory as a part of the theoretical progress of organizational

studies. Silverman distinguishes between two different ways for dealing with the critique of Parsonsian functionalism. First, a researcher can try to mend the weaknesses hiding in the structural-functionalist way of thinking. Some organizational researchers have done this already. It has resulted in a group of updated systems-theoretical approaches such as the complex systems theory, where the object of attention has been the complicated mechanisms of various factors, and the non-linear dynamics of change created with them. The other option is to introduce a real alternative to systems-theoretical functionalism. This is the solution outlined by Silverman.

Silverman believes that scientific progress occurs through revolutionary jumps as described by Kuhn (1962). The concept of a paradigm, as introduced by Kuhn (cf. Chapter 1) refers to the views shared by scientists, regarding the nature of the object under scrutiny. The central idea in Kuhn's history of science is the concept of scientific revolutions. Theoretical transitions do not often occur in stages; instead, they are related to a radical break, where previous concepts and assumptions lose their dominant status. Previous research questions and scientific-philosophical premises lose their significance once an upcoming generation of researchers starts to analyze the target phenomena with new concepts and assumptions. This is a question of a changing world view among the researchers. At the time of writing his book, Silverman believed that this is also the case in sociology and in organizational theory. The rational modern is turning into an alternative perspective.

The "action frame of reference" outlined by Silverman draws upon the central sources of the interpretative theory. Its premises are:

(1) The difference between social sciences and natural sciences. Social sciences research the internal meanings of social lives, which must be approached with the methods of an understanding sociology. Approaches similar to natural sciences, which use external logic, are not applicable for studying social phenomena. (Weber, Dilthey)

(2) Social sciences study social action, striving to understand the actions of people and groups from their own subjective viewpoints. Social sciences are not in the business of studying behaviour externally. Sociology studies meanings. (Weber, Schutz)

(3) Meanings created through interaction become established as social institutions. For later cohorts, these present themselves as objective structures. (Berger and Luckmann)

(4) On the other hand, institutionalised meanings and norms are updated and maintained in local operations. (Berger and Luckmann, Garfinkel)

(5) Actors can shape and transform the established opinions and roles with their own interpretations. (Schutz, Garfinkel)

(6) Human behaviour can be explained by researching the meanings and interpretations attached to behaviour by actors. The objective background factors of each group provide only a partial explanation for the behaviour. Actions must be approached through the actor's self-constructed definitions and identifications. (Weber, Schutz)

(7) Positivist research, which explains operations by observing these from the outside, in the shape of various factors, cannot be accepted. Positivist analysis ignores the actors' own interpreting work, and treats social structures as if they are actually existing things or beings. This takes the research away from the field of social sciences. (Weber, Schutz, Dilthey)

Silverman's argument about the alternative approach is not simply a repetition of the sociological discussion within the context of organizational studies. He covers thoroughly the main movements of organizational theory up to that time, that is, scientific business management, the human relations movement, contingency theory, general systems theory, and the decision-making school. Furthermore, he outlines separately the organizational psychological studies that were born out of the human relations movement. Silverman specifies the theoretical assumptions of either approach, as well as the challenges brought by empirical research. Among other things, in the section dealing with the systems-theoretical approach, he focuses on the assumption of the opportunities for an organization and its management to "read" the operating environment objectively. Silverman highlights that the operating environment does not speak to the organization; instead, the members of an organization must actively interpret any changes in the environmental circumstances (Silverman, 1970, p. 37). The objectivist study of the operating environment can never fully account for the ways in which management and other organizational actors interpret and construe the wider societal reality. The operating environment is not "out there" like objectivist researchers see it; instead, it is "in here," within the socially meaningful reality created as a result of the interpretative acts of a wide variety of actors.

In his balanced overview, Silverman also highlights the human relations movement, as well as the social-psychological analysis of organizations that developed from it. Organizational psychology has emphasized human and social needs, but in doing so, it has, in Silverman's opinion, brought along a determinism based on personality traits, which from a theoretical perspective is not particularly different from the excessive emphasis on social structures evident in structural-functionalism. According to Silverman, various emphases, regarding social needs on the one hand, and psychological-spiritual needs on the other hand, represent different theoretical views. Both assume that the need factors of personalities are objective things, which can be studied to find out more information about the motives behind the action. At the same time, however, they ignore the role of meaning-making and challenging situations in the construction and selection of motivating factors. Only the situation itself and the related interpretative work determine the participants' motivation factors. Therefore, it can be said that individual motivation factors are a result of action, not the cause for it.

Silverman did not include any actual empirical applications in his book. In this regard, his later writings complement his dissertation. In the 1970s, Silverman studied organizational language use, and increasingly more clearly, his work took the direction toward ethnomethodological research (e.g., Silverman & Jones, 1976). In a way, he failed to carry out the constructionist (largely based on Berger's and Luckmann's theory), empirical research program that *The Theory of Organizations* was meant to pave the way for. At the end of his 1970 book, Silverman does outline the consequences of the action frame of reference on the methodology of organizational studies. However, he is content to state rather generally that empirical studies carried out in accordance with the constructionist approach concentrate on the definitions and typology used by the actors themselves, and that the best way to catch on to these is with methods like participant observations and thematic interviews. Methodical guidelines are not particularly specific. They refer to a qualitative-inductive research approach that studies the so-called naturally occurring material, such as informal interaction or free linguistic expression. The goal is to study the phenomenon first within the circumstances of its social construction, and only then try to generalize toward wider theoretical models.

Silverman has subsequently aimed to reflect on the possibilities and limitations of *The Theory of Organizations*. In the anthology compiled around the 20th anniversary of this book, he highlights at least two misconceptions related to the nature of the action frame of reference (Silverman, 1994). First, Silverman emphasizes that his intention was not to introduce an individualistic research program. Actions and actors are always situated within a social context,

where groups face historical and structural powers, as well as significant others, whose existence to some extent always affects the formation of the concepts of the self. On the other hand, Silverman wishes to avoid an excessively subjectivist view of the interpretative approach. He himself refers to this as the "romanticized" take on the action frame of reference, and to a larger extent, of social studies in its entirety. Referring to the tendency in the Romantic Idealist approaches like the classical hermeneutics to seek the original intentions of the author, romanticization refers to the idea according to which interpretative research would be able to describe the authentic experiences or thoughts of the actors. According to Silverman, this is not possible. Experiences are always constructs mediated by interpretative acts and schemes. We do not have direct access to our own or other people's internal world of experiences. Silverman criticized the later developers of interpretative organizational theory of accepting a romanticized view on the action frame of reference. Above all, this may be an issue of drawing a line between sociological and philosophical or psychological phenomenology. Following in the footsteps of Weber and Schutz, Silverman uses the interpretative approach inherited from Kant and Husserl mainly as a resource for the study of social behavior, or, the way in which phenomenal sensibility of the world is constructed in the interpersonal domain by way of mutual attributions of meaning to the actions of the others. Silverman is not interested in the ego-centered preoccupations of Husserl or in the earlier psychological articulations of Bretano, Husserl's teacher. In addition, there is an epistemological refusal among the sociological phenomenologists to the claim that the internal mechanics of human consciousness could be uncovered through empirical observation – a premise that would easily lead to naturalistic behaviorism, as Schutz (1954) notes.

5.3. The Interpretative-Symbolic Approach in Organizational Theory

The approach outlined by the action frame of reference was properly implemented only when interpretative organizational studies became more established, in the 1980s. At this time, many of the topics outlined by Silverman were included in the internal discussion of organizational and management studies. However, this approach was wider. In addition to the phenomenological analysis of subjective minds, the interest turned to organizational symbols and signs on a more general basis. This perspective was developed particularly within the research network Standing Conference on Organizational Symbolism (SCOS). The unprejudiced analysis of various cultural

meanings and symbols was characteristic of SCOS. In an unprejudiced way, the group drew upon the various traditions of human sciences, which until that time had been unfamiliar to academic organizational studies.

Henri Broms and Henrik Gahmberg: The Finnish Pioneers of the Interpretative Approach

The early stages of organizational symbolism in the 1980s were an inspired time in management studies. After a long modernist bout, the winds of change were blowing on this field. Both of the anthropologists, sociologists, psychologists, as well as other cultural researchers participated in the development of the interpretative approach, particularly among the SCOS network. The field was unusually open for new openings. This openness is well reflected in the collaboration between Henri Broms and Henrik Gahmberg. Broms was a researcher of Persian culture, who worked as the head librarian at the Helsinki School of Economics; while Gahmberg was writing his dissertation at the department of corporate management at the Helsinki School of Economics, Finland. Their offices were situated in the same building. The duo started working on the mythology of strategic management at the end of the 1970s. Their work related to applying semiotic theory and methods to the studies of strategic management hit the nerve of the time. In the year 1983, Administrative Science Quarterly published a special issue on organizational culture, which also included Broms' and Gahmberg's (1983) article on "autocommunication." This paper examined situations where the meanings of storytelling are directed back at the storyteller. For example, managers can use communication for sending meanings to themselves, and not to others. This article was based on the semiotician Juri Lotman's idea of autocommunication, the purpose of which is to strengthen the communicator's own personal identity; or, alternatively, the organization's trust toward the chosen strategy. Furthermore, Broms and Gahmberg introduced interesting analyses for that time, regarding the cultural myths affecting the car industry (Broms & Gahmberg, 1982), the underlying structures of managers' career stories (Gahmberg, 1986, 1990), and a general overview of the usage of the semiotic approach in organizational studies (Gahmberg, 1987). Semiotics provided an attractive approach for studying the cultural construction of organizations. However, its possibilities were not yet used

(*continued*)

completely when, in the 1990s, the interest turned relatively quickly from structural semiotics toward post-structural theory and critical management studies.

The organizational interpretative-symbolic approach became an eclectic field. Indeed, Strati (1998) has stated that it did not develop into an actual paradigmatic research program, unlike what Silverman (1970) thought. Instead, this approach turned into an umbrella term for various movements studying the role if symbolic signification in organizational life. Interpretative organizational theory can be seen as a moving field, where each actor or group construes and shapes the research information in production, in ways colored by their own views. Organizational symbolism is a symbol in itself, which can be framed from the point of view of various interpretative understandings. At the same time, Strati (1998) emphasizes that as a theoretical movement, the interpretative-symbolic approach recognizes a group of assumptions from the philosophy of science and meta-theory, which bind separate projects together. These include, for example, the following premises:

(1) Organizational reality is negotiated. Together, the members of an organization analyze and interpret the meanings of different situations in their everyday lives. Organizations are not ready-made structures; instead, there are constantly ongoing social negotiations between various subjects regarding the shaping of their internal relationships and operating methods.
(2) The significance of emotions. The construction of a symbolic reality is not simply a product of thought processes; instead, organizations are also construed in relation to emotional conditions. Fear, anxiety, joy, and shame have their part to play in how the visible operations of an organization are construed. Emotions are reflected in the use of symbols; but on the other hand, it is only through symbolic intermediaries that various emotional states can be expressed in the organizational everyday life.
(3) Organizational ideologies and myths. Organizations use symbols as a part of more general ideological constructs. Ideologies create target situations of ideal conditions, which organizations are assumed to strive for. They detach the organizational culture from everyday constraints. On the other hand, myths

provide stories which have developed over time in civilizations, to solve the tensions between the cultural ideals and the organizational realities. Myths are fictions that could be true.

(4) Organizational language. Language is an important symbol with which social reality is construed and negotiated in organizations. Managers guide the direction of interest within an organization through the language and concepts they use. On the other hand, employees as well as are active users of linguistic tools such as metaphors, clichés, and discourses. Language connects individual matters, people, and situations into broader entities, and thus directs attention, and finally also behavior.

(5) Aesthetic information. Symbolism emphasizes alternative methods to the rational perspective for understanding the surrounding reality. Information can be produced based on intuition and sensory experiences. The members of an organization collect information by hearing, seeing and touching. They evaluate their observations aesthetically. Meaningful information can be related to the experienced beauty, pleasantness, or poignancy of objects.

Hence, it can be said that in interpretative theory, reality is studied as a network of meanings generally construed in social interaction situations and symbolic interpretation work. An organization cannot be studied as a social object or system like in classical and modern organizational theory; instead the focal point for the analyses of organizations becomes the *process of organizing* the social reality in the actors' minds and consciousness, as Weick (1979) proposes in his famous text. Organizational studies starts to focus on those different methods of interpretation and symbolic understanding which precede the establishment of an organized social organization. On the other hand, the construing of meanings is a continuous subjective and inter-subjective process, which corrects and comments on itself. The flow of the process of organization creates the feeling of a stable shared reality, but underneath this stability, there is a constant influence of a multitude of interpretative behaviors that can challenge and change the institutionalized subjective reality into something more objective. The organization process and organizations must be tried to be understood as temporary communities construed through interaction and the interpretation of symbols, and as pluralities in the constant stream of signification. For this purpose, interpretative organizational theory provides a group of concepts, theories, and methods for the alternative research on the topics of traditional management and organizational studies.

5.4. Interpretation of Substantive Topics

5.4.1. THE RELATIONSHIP BETWEEN INDIVIDUAL AND ORGANIZATION

The occurrence of individual interpretative processes in organizations has been described most clearly by the American researcher Karl Weick. Weick's (1995) sensemaking perspective has been a popular method for applying the interpretative approach to the psychological observation and comprehension processes of individuals and groups (Hernes, 2007). This is emphasized by Weick's own background as a (social) psychologist. The basis for the sensemaking perspective is the conceptual model of interpretations and the organizing process of the established characteristics of an organization, as outlined in Weick's book *Social Psychology of Organizing* (1969/1979). Weick analyses the organization process as a whole constructed from three different sub-processes. These parts are enactment, selection, and retention. During the enactment phase, the actor chooses the frame according to which they organize the information available to them, and create an image of their environment. After this, one enactment is selected as a commonly used response to any problems arising in an organization's operations. After this comes the retention phase, where various selected equivalents are tested in practical situations, until some of these become a part of the organization's routines and the integral collective memory.

Of all the phases, the role of enactment is significant. At this point, individuals and actors select those possible views which will further on be expressed as possible logic and routines guiding operations. Like Weick himself (2001, p. 187) notes, all possible schemes subsequently available for selection and retention consist of materials that have been originally created or bracketed during the enactment phase. The interpretative framing of reality is the drive behind everything else in the process of organizing. That is why it is of critical significance. Weick (2001, pp. 188–98) describes the interpretative framing of reality through the following characteristics:

(1) Reality is metaphorical or symbolical

When facing new, surprising situations, individuals and groups often rely on metaphors with the help of which unknown situations and things can get a more familiar appearance. Metaphors also help to describe and "see" things and phenomena that would otherwise be difficult to understand and to process.

(2) Thinking is the consequence of a monologue

It is difficult to see one's own thoughts and interpretations before something has happened. In general, this also means that thoughts follow the linguistic structuring and sensemaking

of the events. "How can I know what I am thinking before I have seen what I will say," Weick summarizes this approach. In other words, thinking follows situations and their interpretations, not the other way around.

(3) Interpretation brackets raw data

Interpretative framing is the first step toward understanding and information, but its main operating level is the framing and limiting of raw observations and – stimuli so, that it is possible to create a meaningful overall impression of what the particular situation or phenomenon is about.

(4) Plausibility is more important than accuracy

The interpretation process relies more on subjective meaningfulness criteria, rather than the idea that it would reflect the reality "out there" in the best possible way. Because this is a case of constructing a reality, it is impossible to compare an interpretation in the middle of the conceptualization process to an existing or underlying version of reality. Interpretative framing is the construction of reality from immediate human raw observations, not the right or wrong conceptualization of the objective world.

(5) Ideas are made real

Ideas are not tied to objective facts; rather, stable reality is born so that actors make the ideas born from their interpretations, and make them real in that way. This is the logic of a self-fulfilling prophecy. Actors "verify" or make real their views based on their own beliefs, while trusting that these views really do depict reality. However, this process is a complicated intertwining of frameworks, choices, and institutionalization.

Sensemaking often becomes activated in situations that are somehow different from the normal flow of organizational life. Routine situations and recurring practices do not necessarily awaken the conscious need to strive to explain the surrounding environment. It is only through a course of events that differs from expectations that awaken reflexive interpretative actions. Various factors can cause unclear situations in an organization. There could be discontinuities in the macro-environment, like for example when the financial crisis surprised the world economy in the autumn of 2008. Companies and societies had to rely on new methods of interpretation when they had to face a crisis the like of which had not been experienced in the living memory. Political and emotional dramas within organizations can also destabilize the dominant organizational views. On the other hand, the lack of clarity of the pursued goals or performance gauges can be an underlying issue. The lack of clear goals can launch sensemaking processes. Uncertainty about the relationships between actions and its consequences can also destabilized an established

order. All of these are situations that are a part of organizational life. Things get chaotic on a regular basis.

From the point of view of an individual, joining an organization as a new member is one of the clearest situations where people often have to rely upon active sensemaking. Even though the significances and codes related to a profession might be familiar, becoming acquainted with a new organizational culture is always a unique learning process, at least to some extent. The unofficial operating methods, and special structures and norms of an organizations do not exist as a ready-made package shaped into an explicit format; instead, every newcomer has to try and interpret these to acquire the understanding and knowledge required to become a member in the work community. Particularly those who move from the student life from a work organization have to face a new kind of environment, of which they have no extensive previous first-hand experience. Old interpretations are no longer relevant.

According to Louis (1980), sensemaking of a newcomer is largely based on previous personal experiences and assumptions. It is only gradually that a novice learns new methods of interpretation, which are compatible with the prevalent views and beliefs of the organization. From a sensemaking perspective, this often requires immersion into various situations, and interpreting the consequences thereof. It is impossible to learn the internal codes of an organization from the outside; instead, their true form is revealed only after the event. For example, a postgraduate student visiting abroad may well wonder at first why everyone keeps asking who they are working with. The student is used to the fact that in their home country, their work as a PhD student is relatively independent, and only rather loosely supervised. Research seminar presentations and shared courses create social relationships. However, the new target country has a prevalent assumption that at the beginning of their career, young researchers work closely together with more mature scholars. The identity of a young researcher is defined in accordance with who they work and publish with. Once the newcomer understands this code, it is easier for them to develop a stance toward the expectation of the key role of a collaborative relationship. For example, the student may refer to the research activities of their department, with which their own research is connected. Alternatively, the student can look for a suitable older colleague, through whom they can identify as a member of a particular theoretical school and area of interest.

On the other hand, the adaptation process of a newcomer is easier if they happen to know an insider with whom they can test the various interpretations of the meanings of ambiguous situations. Without a response from someone familiar with the organization's codes and culture, the newcomer's attempts to change interpretations

and any operating methods derived from these might come to an end due to the lack of feedback. The newcomer may well be making the same mistake again and again, because they cannot see a contradiction between their assumed operating methods and the organization's expectations. For example, actions that break hierarchical boundaries can cause a great deal of upset, even though the newcomer is not aware of it. Choosing a wrong seat at a meeting, or bringing up problematic themes in a community that is used to avoid certain topics can be ruinous for the adjustment of the novice. The breaking of culturally agreed boundaries or norms can happen in a situation that a newcomer considers to be neutral. Even using the wrong coffee cup in the staff lounge can result in backlash from the insiders of the community. In situations like these, the enriching and guiding of interpretations toward the right direction would help a novice to adapt their sensemaking processes in a way that is not in conflict with the prevailing views within an organization.

5.4.2. ORGANIZATIONAL MANAGEMENT

The interpretative approach analyses the established, structural features of an organization as subjectively and inter-subjectively construed. The organization-level analysis was boosted by the discussions about organizational culture. Corporate or organizational culture rose to the focal point of management studies at the beginning of the 1980s. The most important incentive was the popular business management book, *In Search of Excellence*, written by Tom Peters and Robert Waterman in 1982 (Peters & Waterman, 1982). It presented an idea according to which the values and the culture of an organizations are better tools for control for flexible corporate organizations, compared to formal structures. The task of culture was to function as a "softer" method of control. The connection to the cultural modern ideas about the significance of the sense of community of an organization was self-evident. At that time, consultants produced a rather great deal of material regarding corporate culture. At the same time, organizational researchers became interested in the cultural perspective on organizational phenomena, as well. The cultural or the interpretative approach emphasized the analysis of an organization as a creative process; and to describe it, it was necessary to study organizational symbols, values, and stories.

At the beginning, practical and academic discussions continued hand in hand. However, it was rather soon that the debate among consultants became separated from the discussion among management researchers. As Barley, Meyer, and Gash (1988) have shown, the practical-oriented debates started to highlight organizational culture more clearly as a method of control which was parallel to

formal management techniques. The function of culture became the advancement of the manageability and cohesion of an organization. On the other hand, the academic community wanted to use culture as a tool, under the pretext of which it could draw from constructivism and anthropology while creating an interpretative movement within organizational studies. Through the idea of culture, cultural researchers were eager to introduce an alternative paradigm to the prevailing structural-functionalist hegemony. For them, organizational culture meant the recognition of the subjective and inter-subjective nature of companies and other organizations. Organizations were immanent social constructions, not transcendent systems.

The debates in organizational culture provided a way for interpretative researchers to present the differences of their own approach compared the more traditional, structural-functionalist approach. For example, Linda Smirchich stated already in 1983 that the study of organizational culture had divided into two main camps. One of these considered culture to be a particular subsystem of an organization. According to the other view, organizational culture represented a system of norms and values, and it was possible to analyze this system objectively. "*Organizations have cultures*" represents the functionalist theory's thoughts on organizational theory, which highlight the specific nature of a culture. Furthermore, it can be assumed that because culture is something that can be objectively described and modeled, it can also be governed for management purposes. Another approach represents the interpretative method. According to that, "*organizations are cultures*." This means that organizations are approached as cultural processes and products with no external essence arising from subjective and inter-subjective construction. The cultural-interpretative approach contains or includes other organizational phenomena. An organization becomes organized in interpretative situations and practices construing cultural significances.

Smirchich (1983) distinguishes between five different ways with which the concept of culture is used in organizational studies. The first two of these represent the systems-theoretically charged perspective of "an organization has a culture," while the last three are more closely related to the interpretative-symbolist understanding "an organization is a culture."

1. Inter-cultural comparative management studies (an organization has a culture)

   In this movement, culture is used to explain differences between countries, regarding managerial behavior and organizational structures. According to Smirchich, in this

(*continued*)

perspective, the concept of culture is limited to refer mainly to the differences and similarities between nation states. Culture denotes a general value structure that can be found on the level of national systems, which explains organizational behavior on the level of individual companies. For example, comparative management studies have observed that in countries with a great power distance, there is often a steep hierarchy between managers and subordinates, while hierarchical differences are smaller in countries with a low power distance.

2. Corporate culture (an organization has a culture)

   In corporate culture research, the role of culture is to act as a functional mechanism that connects individuals. In this approach, culture is an internal feature of an organization, which binds different actors and subsystems together. On the other hand, the construction of a culture is dependent on the requirements set by the environment. Indeed, this perspective is close to the assumptions of systems theory, regarding the system-like, organism-like nature of organizations. Unlike in the comparative approach, culture is considered to be born within an organization.

3. Cognitive perspective (an organization is a culture)

   Cognitive psychology studies thought processes and structures. From this perspective, an organization consists of interpretations, and the information created with their help. The members of an organization frame and make sense of their own experiences. They develop various formulae, according to which reality is interpreted. The commonly shared interpretations arising from these create a meaningful whole for the members, which can be compared to the "culture" described by constructivists and anthropologists.

4. Symbolic perspective (an organization is a culture)

   Organizational symbolists study sign systems used by organizations, such as language. The symbolic perspective analyses the signs, symbols, and linguistic conventions that construe the organized nature of an organization. Like in anthropology, the task is to understand the ways in which symbols are used for the creation and maintenance of the social organization of a community. Indeed, a symbolic analysis often requires participation in the everyday rituals of an organization.

(*continued*)

5. Structural-psychodynamic perspective (an organization is a culture)

   This approach aims to approach the culture of an organization through the semiotic myths and initial images shaping the subconscious of the community. This approach strives to reach beyond surface-level awareness, toward deeper structures of meaning, which influence the collective consciousness. Underneath the rational surface of organizations, various universal myths and personality types have an influence, the recognition of which helps to understand the deep-level psychological-symbolic tensions of each organization and its members.

On the other hand, although Linda Smirchich has a critical attitude in her classical article toward the use of culture as a management tool, she had suggested, together with Gareth Morgan, that leadership should be analyzed as the changing and manipulation of organizational meanings. Smirchich and Morgan (1982) state that it could be fruitful to analyze management from a constructivist perspective, as a purposeful framing of reality, for guiding attention and operations toward directions chosen by the managers. According to the two authors, analyzing leadership from the perspective of meaning construction brings a new dimension to traditional management research, which has focused on the manager's operations in an already organized reality. Parallel to this, the authors suggest the analysis of management as the interpretation and framing of reality for the various members of an organization. Leadership includes the definition of reality in a way that is likeable for the subordinates. On the other hand, this division of labor related to the structuring of reality means that individuals give up their power of interpretation to their managers. However, Smirchich's and Morgan's starting point is the construction of the roles of the leader-managers on the one hand, and of the subordinates that follow the managers, as a part of the interpretation of reality.

In other words, Smirchich and Morgan approach leadership as a part of the construction of social reality within organizations. Formal managerial roles represent the established format of the constructions of reality, and they do not always reveal a great deal of who or what the members of an organization are actually following when they are trying to create an image of social reality. From an informal point of view, a leader-manager can be anyone who is able to make the members of the organization feel that their operations and existence is organized. Conveying a sense of meaningfulness

and organization creates leadership, not merely operating from a formal position. To this extent, this is a case of dividing leadership between various parts and groups of an organization.

In Smirchich's and Morgan's model, the control over meanings proceeds in a very similar way, compared to Weick's or Berger's and Luckmann's theories. The ultimate task is to try to present an interpreting frame of the situation to the employees, which draws attention to certain dimensions of direct organizational experiences, leaving other possible elements outside of awareness. This is a matter of bracketing the experienced world according to the emphases of the framework, or defining it, "what is actually going on here?" For example, a manager can present a company's financial crisis as an internal problem in efficiency, instead of providing a bigger picture of the confusing situation, which would connect financial problems with wider trends in the national and global economies. A successful framing of reality creates the ground for bracketing becoming a wider explanation about a situation and its dynamics. The framework becomes a more general description of the logic behind an organization's operations, and of the roles of the various participants of the situation.

Framing a crisis as an efficiency problem may lead to a wider explanation where the problems of an organization are caused by operative weaknesses, particularly in the work tasks performed. The management can conclude that the emergence of an efficiency problem may be connected to the employees' unwillingness to streamline, and improve their own work processes ("They are always fighting back"). On the other hand, the employees, or even the middle management can see efficiency requirements as a sign of the top-level management's tendency to always blame lower hierarchy levels ("The management is after us"). However, in case the wider explanation provided by the manager is accepted, it provides a basis for the concrete methods by which the members of an organization accept the framing and the explanations as the guideline for the common operations. Thus, the recognition of efficiency problems can lead to a common understanding that an organization must launch change programs in order to achieve the desired productivity levels. On the other hand, various explanations for the framed situation may continue until the operating stage, in which case it will be more difficult for the manager to mobilize all parties to act in a united way. In case people think that at the background of the efficiency problem, there lies the management's tendency to look for guilty parties among the employees, the framing of the situation may lead to divergent operational formulae, and finally, to contradictions.

However, seeing management or leadership as a control of meanings is connected to the interpretative approach to that extent that in this view, management is considered to be primarily the

framing of situations and the negotiation of social reality. This perspective is not interested in the individual personality traits or leadership styles of managers; instead, the interest lies in the manager's ability to guide their subjects' interests toward meanings and images essential for directing operations. The typical objects of analysis of management studies, such as the interaction between the manager and the subordinate, or various authoritarian and democratic management styles depict roles and social relationships which arise and become construed during the earlier framing and interpretation process of reality. Even the managers in a formal position of responsibility use informal methods for bracketing situations and defining reality while trying to organize their subordinates behind a common agenda. Leadership is realized through the same process of the social construction of reality, like all other social phenomena in organizations, as well.

5.4.3. THE RELATIONSHIP BETWEEN ORGANIZATION AND ENVIRONMENT

In the interpretative approach, actors produce the temporary social order of organizations through ongoing framings, interpretations, and practices. The organization's environment is also built in this way. The operating environment is not an objective collection of circumstances and macro-structures; instead it is the product of human operations. This approach is clearly different from the view of the rational modern, where the operating environment defined the adaptation requirements of individual systems, and thereby the formation of the entire organization. According to the interpretative understanding, the meaning of an environment to every organization only becomes real after local actors have interpreted the meanings of various signals through their own framework. On the other hand, environments can be analyzed as institutionalised meanings and operating methods. These represent the last phase in Berger's and Luckmann's logical scheme of construction of reality, where local interpretative framing results become established or institutionalised patterns. And yet this objectified reality is prone to transform in the subsequent local action and sensemaking. Therefore, even the environment is, on the one hand, socially objectified or institutionalized, and on the other hand, it exists only through meanings and versions apparent through the interpretative work of local actors.

It was already Silverman (1970) who highlighted that the environment of an organization is the product of interpretative operations. Weick (1979) subsequently emphasized that the operating environment is constructed in the interpretative framing of the actors, who imbue an otherwise un-organized reality of environment with meaning and coherence. Smirchich and Stubbart (1985) took

these ideas further when they presented the interpretative approach for the active construction of operating environments. According to these authors, environments are a certain product of the sensemaking process, much like other organizational phenomena. The environment is a consequence of the organizing process, not an objective fact explaining the organization process. The interpretative approach highlights that drawing conclusions about the environment does not merely give shape to an ambiguous collection of circumstantial factors and macro-reality; instead, it actively creates an image of its own kind regarding the reality of the environmental context. Therefore, it is not the relationship of interpretation toward the "real" reality of the presumably objective environments that is of critical importance; instead, it is the openness and creativeness of the created frameworks and constructions. Organizations cannot compare their interpretations to their objective operating environment; instead, this is rather a matter of a learning process, where the feedback received from the implementation of various environmental constructions regarding the success rate of the managerial policies helps the organization and its management develop views that are pragmatically suitable for the situation. Otherwise, the interpretations become rigid.

5.5. Summary and Discussion

Seeing the operating environment of organizations as subjective framing and sensemaking is a case in point of the general spirit of the interpretative approach. The goal is not to seek access to the real characteristics of organizational reality, such as individual personalities, organizational structures, or, alternatively, macro-level operating environments; instead, the task is rather to describe the ways by which an organization becomes organized as a meaningful, sensemaking phenomenon for the participants of the operations. The object of scientific research moves from revealing the objective characteristics of organizations toward those methods and types of framing and understanding with which an organization is construed to make sense from the participants' perspective.

In this regard, the interpretative approach differs from those perspectives whose object of analysis is the real or objective structures of organizations. This is more evident in the classical and rational modern, where in both theories, the analysis is connected to the technical and systemic structures of an organization. In this case, the premise is composed of approaching an organization with the assumption that it has an objective nature independent of the observer, which is possible to describe with the help of the positivist and realist methods of social studies. The various forms of organizational

structure, such as the organic and the mechanistic structure, are a clear example of this type of thinking, like the idea of macro-factors characterizing the composition of the environmental context and its structural effects on the formation and adjustment of individual organizations. The cognitive approach of Simon and March is a slight exception to this discontinuity, as it suggests an implicit psychological theory of sensemaking developed further by Weick and others.

However, at the same time, it is possible to identify some degree of continuity between the interpretative approach and the cultural modern theory. The idea of an unofficial or informal organization that was emphasized in the cultural modern paradigm is close to the interpretative studies' conceptualization of organizational culture. Mayo's, Rothlisberger's and Dickson's human relations movement, as well as Barnard's cooperative theory considered organizations to be social communities shaped through interaction, in a somewhat similar way to the interpretative approach (Parker, 2000). The cultural modern understood an organization to be a system of values and norms, construed through rituals; while the interpretative approach placed a wider emphasis on the situational construction of the social reality as an open-ended and contested process. The approaches are different from each other, but they have a clear familial connection, where the cultural modern provides a platform from where the phenomenological and symbolic conveyance of the reality of organizations in the interpretative approach.

According to the interpretative approach, a direct connection with the objective reality is not possible. All knowledge is always understanding mediated through symbols and meanings. Hence, the researcher's understanding of their research objects, such as organizations, must be considered in the same way, to be (only) one of the interpretations among other interpretations. According to the constructionist understanding, no analysis method exists that would be able to bypass interpretative sensemaking. All knowledge is always produced through some type of a perspective or framework. Thus, the field of organizational studies is also based on its own perspective. Or, at least, that field is unable to provide certainty about the "truthfulness" of its interpretations, unlike the rational, modern approach. There is a clear paradigmatic shift in the way in which organizations are conceptualized and imagined, as well as in the epistemological position of the researcher involved that marks the spirit of the interpretative approach. The purpose of organization studies becomes that of generating descriptive "constructs of the constructs" of the participants of organizational life (Czarniawska, 2008; Schutz, 1954) (Table 5.1).

Interpretative organization theory is largely built on the legacy of philosophical and sociological phenomenology. While other

Table 5.1. The Modern and the Interpretative Definition of an Organization.

The Modern Definition of an Organization	The Interpretative Definition of an Organization
An organization is a separate social unit with characteristics reminiscent of physical objects, such as size or structural format.	The definition of an organization consists of social interpretations. These interpretations change from one situation to the next.
Actors operate in organizations which are assumed to exist regardless of the operations of individuals and groups.	Actors are constantly shaping organizations through various actions and interactions, as well as through interpretations regarding their own and other people's actions.
Researchers can describe an organization better than the members of the organization.	Knowledge about the meanings of an organization's operations primarily lies within the actors of the community. External observers can have knowledge of the organization, but this understanding is not more correct or more truthful than that of the local actors.
At any given moment, there can be only one correct description of an organization.	At any given moment, several parallel descriptions can exist of an organization. These descriptions can be compared and evaluated, according to pragmatic, aesthetic, or ethical criteria.
The purpose of research is to shape principles.	The purpose of research is to capture and describe interpretative practices.

Source: Adapted from Czarniawska (2008, p. 7).

notable traditions such as hermeneutics and semiotics have also influenced the development of this paradigm, they have had a lesser influence compared to the phenomenological approach filtered through the work of Schutz, Berger and Luckmann, and Garfinkel. However, when assessing the cumulating work on interpretative organizational research, it is fair to note that even the theoretical or philosophical background of phenomenological sociology has not been as consistently or rigorously examined as in many other paradigms. There are at least two tendencies in the way in which interpretative theories have been appropriated and used in organization studies that might account for the relatively fragmented and partial exploration of the deeper philosophical and intellectual issues within the phenomenological and other interpretative traditions.

Firstly, interpretative theory entered to organization studies not only as a specific social philosophy, but as an eclectic approach informing a new wave of qualitative research emerging in the aftermath of the decline of functionalist positivism (Van Maanen, 1979).

The idea of studying meanings and situated action as the dominant focus of empirical organizational research was itself viewed as a monumental opportunity for the field. The role of phenomenology and other interpretative theories became to be understood as a background resource informing and supporting the introduction of novel methodological styles in organization and management studies (cf. Lincoln & Guba, 1985). General theory was the servant of research theories and inductive designs rather than being explored in its own right. Phenomenology was blended with insights from anthropology and ethnographic practice (Van Maanen, 1988) in a way that enabled organizational scholars to embark on interpretative research programs, first within the domain of corporate culture (Barley, 1983; Smirchich, 1983), and later within other substantive topics (Fairhurst & Grant, 2010; Smirchich & Stubbart, 1985) and even within the meta-analyses of organization theory (Czarniawska, 1999; Morgan, 1997).

The second possible explanation is the complexity of the development and refinement of interpretative social theory over time (Prasad, 2005). Husserl's legacy has filtered through many different paths into organization theory, each applying the original phenomenological principles and epistemologies in a somewhat idiosyncratic way. Schutz's construction of phenomenological sociology follows in the footsteps of Weber's theory of social action and the associated methodological individualism. Berger and Luckmann interpret Schutz's work in a more traditional sociological fashion by emphasizing the dialectics between local action and institutionalized structures. On the other hand, Garfinkel combines Schutz's phenomenology with Durkheim's vision of the centrality of morality for forms of sociality, attacking directly the structural functionalism of Parsons (Heritage, 1984). More broadly viewed, Husserl's legacy has been carried forward for example through Heidegger's crafting of a situated subject-object ontology, as well as Sartre's reworking of the existentialist understanding of the phenomenological subject (Holt & Sandberg, 2011). Critical theory advocates and Habermas (1984) have applied phenomenological and hermeneutic ideas in the development of a culturalist version of Neo-Marxism more suitable for the contemporary thinking in humanities, with the so-called Cultural Studies program (Hall, 1996) adding its own spin on the more critical appropriations of interpretative insights. The tradition of American Pragmatism, in turn, has offered an original synthesis of interpretative epistemology and rigorous post-metaphysical philosophy, overflowing later into sociology as symbolic interactionism (Mead, 2009).

Looking at the early engagements with interpretative theories in organization theory, Silverman's account is relatively coherent, drawing from the phenomenological sociology of Berger and Luckmann,

in a vocabulary that is consistent with Schutz's alignment with Weber. However, Silverman did not contribute directly to organizational studies after his 1970 book, continuing his work within ethnomethodological and conversation analytical sociology, and methodology. Weick, another pioneer of the approach, instead has exerted a major influence on interpretative theory with his sensemaking framework (Weick, 1995) and the landmark empirical analyses (e.g., Weick, 1993). His enactment-selection-retention scheme draws upon Schutz's Husserlian understanding of the process of interpretation in the human mind, although by mainly focusing on the cognitions (Starbuck, 2015), the theoretical approach is more firmly (social) psychological than the sociological articulations of Schutz and Berger and Luckmann (and Weber). Over the years, Weick (2001; Weick, Sutcliffe, & Obstfeld, 2005) has been willing to incorporate a variety of philosophical inspirations and second-order appropriations into his evolving sensemaking framework, keeping his work thus an open bricolage of theories with family resemblance rather than reducing it to a fixed ontological and epistemological position (cf. Weick, 1989). At the same time, however, generally speaking Weick's sensemaking approach is thoroughly Kantian: it emphasizes the central role of the phenomenal interpretation of reality in human epistemology and refuses to allow the noumenal world to be perceived outside of the cognitive processes of ordering and framing sense data. At the same time, it accepts the principle that the *a priori* schemes and categories of understanding emerge as actors encounter the external reality in social experiences, thus drawing upon Kant's (Kant & Guyer, 1998) insistence on the symmetry between the forms of the noumenal and phenomenal realms, and the centrality of immediate experiential moments for activation of cognitive processes. Dropping the transcendental nature of cognitive schemes, it embarks on a study of the process and outcome of making sense of organizational reality within the phenomenologically defined operations of the human mind.

The relative paucity of the systemic explorations into the actual social philosophical backgrounds of the interpretative approach leaves some room for further study in the genealogy of the social constructionist and other interpretative theories. For example the intellectual and social links between Schutz and the Austrian School of Economics (Prendergast, 1986) have not been extensively studied in the organizational studies so far, despite the interesting questions related to the similarities and differences in the trajectories of the development in phenomenological or ideal-type theories of social and economic action. One can see obvious continuities in Schutz to follow the tendency in sociological and organizational theory to orient the philosophical advances as refinements and supplements to the prevailing accounts of action embodied in the non-positivistic

strands of economics, as demonstrated earlier by the profile and motivation of Weber's and Parson's contributions to the general theory of social action.

Overall, while the field has witnessed on outpouring of qualitative interpretative studies on the processes of organizational sensemaking and reality construction, the "scientific" analysis of meaning making is not meant to exhaust the ongoing formation of meanings within the culture under scrutiny. All individuals and groups operating in the situations participate in the process of ordering and sense giving (Cunliffe, 2001). Thus, the organizing process is not just a privilege of the management; instead, everyone is involved in the construction of social reality who talk, act, and use symbols to make sense of and to frame organizational situations and concepts. In other words, theory tends to reproduce the dualism of formal and informal organization, or abstract theoretical view and the everyday lifeworld, inherited from the cultural modern approach (e.g., Weick, 2003). On the other hand, at times this open dialogue and negotiation can turn into a closure performed along the interests of the powerful actors in organizations and society. Thus, for many, interpretative work could be viewed as being intimately tied to the broader structures of power and ideological control (e.g., Alvesson, 1987). To analyze these perspectives in more detail, we will next have look at critical organizational theory.

CHAPTER

6 Critical Organization Theory

The interpretative approach opened organization theory for postfunctionalist movements. Soon, there was interest toward other sociological ideas. Broadly speaking, one of these was related to the use of Marxian theory in the understanding of companies and financial organizations. This interest was a fairly natural continuation for the tradition wherein the classics of sociology had been used for extending the theoretical repertoire of organization and management studies. When a lot had already been borrowed from Weber's, Durkheim's and Parsons' works regarding the interpretation of the operation of organizations, it was evident that Marx's writings would also become interesting. Marx was the last of the classical figures of sociology whose legacy was seriously used in the research on organizations. On the other hand, the radical Marxist theory set great challenges for the research of management and organization processes by painting a picture that deviated from previous works, depicting work organizations as stages of structural contradictions (Adler, 2009b).

Like that of other classics of sociology, Marx's work is concentrated on the analysis of a modern, industrial society. Weber's interpretation emphasized the rationalization of various areas of life, closely connected to industrialization and modernization; of which the rise of formal organizations and bureaucracy was one example. For Durkheim, in turn, an industrial society with its long-developed principles of labor division signified the replacement of previous communal solidarity based on direct social relationships with a more individualistic culture. Marx's analysis also highlights the limitations and contradictions of industrialization, but his premises are

different from Weber's and Durkheim's cultural-oriented interpretations (Morrison, 2006).

In Marx's (2007) interpretation, industrialization is a part of the wider rise of the capitalist manufacturing system in developed Western countries. According to him, there is an in-built tension in the capitalist social system, between the capital and the advantages of the labor force. With their work, workers refine raw materials into goods that can be sold on the market, without getting the fair share of the added value created this way. The added value is taken by the owner, in the form of profits, who is using the work effort given by the workers to the company, for the owner's own benefit. The benefits of the owner and the worker do not coincide, and there is a structural contradiction between them, arising from the capitalist financial system (Adler, 2009b).

Unlike Weber and Durkheim, Marx approached the organization process of society through material factors. In Marx's words, the cultural characteristics of a society are not dependent on the direct material factors between different groups, such as income and financial independence. On the contrary, material conditions and the struggle fought around them affect the construction of various cultural ideas and identities. The struggle on the material level takes place on the ontological fundamental level of society and organizations. These deep-level dynamics influence the more general forms of manifestation of the organizing process, such as the organization structure, work motivation, leadership, and so on. The material dynamic is apparent namely on the level of internal manufacturing relationships within work organizations, with which Marx refers to the antagonistic relationship between the workers and the owners or the management, where the owner takes advantage of the work effort given by the worker to the company (Morrison, 2006).

The tense production relationships that define the basic dynamics of organizations become established in Marx's views as a class society, where the identity of the property owning class (the bourgeoisie) and the industrial working class (the proletariat) is separated from each other. Partly, this class structure will become hereditary over time, when people with a working-class background easily end up in similar types of work tasks as their parents. On the other hand, those born to the property owning class will have more opportunities for education, and for taking advantage of various tools necessary for creating added value, for example, production technology. One of the characteristics of class structure is that it is often independent from the individual. It is difficult for an individual person to try to break down a societal organization based on class differences. The same partially applies to organizations, as well. It is difficult to rise up to a leading position, if a person has adopted the attitudes of the working class. In this respect, companies and other

large organizations are reminiscent of industrial societies on a small scale; their hierarchical structure reflects and renews the tensions of the deeper-level material production relationships, and the class differences arising from there (Burrell & Morgan, 1979).

Critical theory aims not only to describe but also to change the social world. Habermas (1972) has outlined a well-known three-part division of types of social research. Each of the three approaches is based on a particular knowledge interest, which guides the theoretical and methodical choices. This can be applied to organization studies, as well (Willmott, 2003):

1. *Technical* knowledge interest: The most important motive for this kind of research is to product explicit, often quantified or modeled information. The research is driven by the need to define the research object objectively, and later also its process management and control. In organization studies, this knowledge interest is traditionally represented by Taylor, but also other rationalist movements. Broadly speaking, the human relations movement can also be included within the limits of this knowledge interest, as it strives to look objectively for the factor from the informal culture of an organization that best explains the profitability of an organization.
2. *Hermeneutic* knowledge interest tackles the understanding interpretation process of a social or organization life. Its goal is not the management and manipulation of organizations, but instead, the interpretative understanding of the construction of the social reality of an organization. This research strives to add to the common understanding. Interpretative organization theory mainly belongs to the sphere of this knowledge interest. Its goal is to highlight various exceptional ways for interpreting organization phenomena and changes. Science does not strive to change the world.
3. *Emancipatory* knowledge interest: This is the approach adopted by the critical social research. The goal is to detect the subjugation structures influencing organizations' operations and interpretations, which are reflected in the social relationships within organizations. An analysis of an organization combines local views and experiences to historical capitalist class structures. On the other hand, the simultaneous goal is to try to demolish structures that create inequality. The critical theory strives to even out power differences by creating more democratic organization cultures as well as by providing tools for the subjected people to reevaluate their own position. Emancipation aims to improve the influence and self-determination of exploited groups, such as workers.

6.1. Harry Braverman and Labor Process Theory

Advancements in modern production technology have not been able to break the hierarchy similar to a class structure, between the performing and managing strata within organizations. Harry Braverman reached this conclusion in the book published in 1974, *Labor and Monopoly Capital*. Braverman claims that automation and other technological development have not demolished the traditional subordination between the capital and the work force; instead, new organization innovations can be seen as the new manifestations of previous production relationships, without any actual structural changes in their format. The development which followed the observations Marx made about organizations in the 19th century has changed the nature of work; but on the other hand, the contradictory relationship between the working group and the owning or managing group, with influence stemming from the capitalist system, has not gone anywhere. To this extent, as far as Braverman is concerned, Marxian analysis is still a very topical method for analyzing the role of management in the maintenance of the class structure at workplaces and in society.

One of the central aspects of Braverman's (1974) argument is that the economy has moved from the model of small production companies toward the model of large corporations that almost have the monopoly position. In current mature capitalism, the traditional owner-entrepreneur no longer represents an agent after the interests of their capital. The position of the entrepreneur has been assumed by a group of professionals of the corporate world, whose task is to ensure that added value is created in an economy ruled by large corporations. One of the core groups consists of professional managers. Their task is to look after the profitability and management of large groups of workers. This takes place, ironic as it is, partly through keeping the work processes as simple and unchallenging as possible. Workers are kept in their position in accordance with the production relationships by offering them standardized, routine tasks that require very little of their own creative thinking.

Braverman (1974) targets his critique primarily at Taylor's scientific business management. In a Marxian reading, the rationalization techniques in Taylor's work appear as methods for using power over groups of workers. This type of interpretation emerged tentatively already in Chapter 2. Taylor's ideas regarding the separation of thinking and performing work, as well as chopping work up in small, easily learned parts, are signs of the tendency to keep workers in a passive or subjugated role compared to the production of

added value. In Taylorism, workers are only parts of a machine, which can be replaced when necessary. Braverman interprets Taylorism as a part of the property owning class's scheme to keep the working masses in the role of obedient production factors implementing the owning class's interests. Workers are kept far from any such knowledge with which they could develop their know-how and become independent from the management's power of planning and control.

As a phenomenon, the appearance of professional managers as a part of the structural hierarchy of large organizations can be included with the maintenance of the capitalist production system, because professionally acting supervisors and managers, as well as the middle management, represent the tier of employees whose purpose is to carry out the monitoring tasks previously performed by the owner. Professional managers and supervisors guard the owning class's interests being implemented on the work process level, without the capital having to participate in work management. It can be said that a group of managers professionally oriented at supervisory work is a kind of a new category of workers, whose task is not so much the creation of added value during basic processing, but instead, the monitoring and control of the operations of the worker masses of large organizations. Unlike in the classical theory's view, for example, where the management class was created to respond to the technical challenges in industrialized workplaces, the critical perspective emphasizes the connection between the development of the position of professional management and the compaction of work management methods. The profession of a supervisor is deployed to perform the functions of worker monitoring and control, under the guise of seemingly neutral management skills know-how. From the point of view of the labor process theory, managers do not have their own professional values or goals; instead, they are involuntarily performing the managerial monitoring and management functions appointed to them.

Braverman's book led to a breakthrough in Marxian organization theory. *Labor and Monopoly Capital* brought Marx's comparatively heavy conceptual program closer to the areas of interest of organization and management studies. On the other hand, Braverman's own background as a laborer and a left-wing activist gave unique personal authenticity to his academic writing. Braverman knew what he was writing about. The main argument of the book is generally known as the *de-skilling hypothesis*. According to this hypothesis, new technology has not improved the versatility and work enjoyment of workers; instead, productive work still continues in a similarly narrow-skilled format as before. Taylor's scientific business management and other modern

innovations have paradoxically resulted in the simplification and depletion of work.

Harry Braverman (1920–1976)

Braverman was an American laborer, activist, and newspaper publisher. He started his career as an apprentice to a coppersmith, and later worked for many years in various craft-related tasks, for example, at a shipyard, as a tinsmith-welder and a pipe fitter. At the same time, Braverman was active in the socialist movement, wherein he adopted the Marxian perspective regarding the role of technology as something that maintains class contradictions in a capitalist production system. On the other hand, at a later stage, he turned to left-wing publishing activities. In this context, Braverman became familiar with the characteristics of postwar office work, as well as with the processes related to the organization and business management of a small publishing house. Braverman considered the erosion of the extensive production-related and technological knowledge in artisanry to be one of the core characteristics of the late monopoly capitalism in work organizations. This development turned out to be the anchor point through which Braverman was capable of making *Labor and Monopoly Capitalism* such a compelling narrative on the trajectory of the working life that spoke to a large audience. At the same time, Braverman also wanted to restore the traditional materialist Marxism glory in a historical moment where various culturally oriented interpretations were vogue in the academic circles. He showed the relevance of Marx's critique of political economy in the then-emerging, nascent information society. Indeed, as one of Braverman's colleagues states in the preface of the book, "In terms of theory … there is very little that is new in this book. In terms of knowledge gained from the creative application of knowledge, there is an enormous amount of new, and much of it in direct contradiction to what capitalist ideology has succeeded in establishing as the society's conventional wisdom" (Sweezy, 1974, p. ix).

The "de-skilling" hypothesis has since been extensively researched in the so-called labor process theory movement that was born on the basis of Braverman's works (Knights & Willmott, 1990). Researchers following the labor process theory developed Braverman's work into a more general critical sociological theory

for work organizations. In this context, Braverman's structural Marxian views were enriched with other radical theories. One source of inspiration for the development of critical organization studies was the so-called critical theory. The main researchers of this perspective are also known as the Frankfurt School, according to the location of the research institute. Ever since the 1920s, the philosophers of the critical theory had been developing a Marxian social theory, which would be attached more closely to the actual social beliefs and the cultural formations of the time. Unlike in economical or materialistic Marxian theories, critical theory aimed to dissect the connections of the dominant ideas of a society to promote the interest of the ruling class. This theory was anchored in Marx's earlier, more humanistic works (Marx, 1972/1844), as well as to "philosophized" readings of Marx emphasizing his debt to previous generations of thinkers, most notably to Hegel (Lukács, 1971). Views about the methods of organization and management of common operations, which were previously considered to be neutral and even self-evident, are revealed in the analysis of the critical theory as distorted, one-dimensional images of reality. In this approach, shared wisdoms are highlighted as ideological constructs, whose purpose is to divert the attention of the masses away from the actual conflicts of interest. Let us study this stream in more detail.

6.2. Critical Theory

The interest of critical theory emanates from Marx's societal analyses, but in addition to Marx, it also draws upon interpretative approaches as well as from Weber's critical analysis of rationalization. The theorists of the Frankfurt School, such as Marcuse, Fromm, Horkheimer, and Adorno, diverted their attention from the materiality of the production-related relationships and structures to the wider objectification of culture and consumption, which they considered to be a logical consequence to the capitalist system's attempt to commercialize and colonize ever-new aspects of citizen's lives. For these researchers, the replacement of the traditional high culture with mass culture, and the increase in new forms of consumption available to the middle and working classes, was an indication of the owning class's desire to restrict the subjectivity of the employed population into that of passive or normalized consumer-workers. The masses were kept unaware of their immediate material interests with the help of an expanding and condensing consumer culture, which turned citizens into torpid followers of mass entertainment and consumption fetishisms. For example, critical theorists viewed the function of mass media to be similar to

the production of Taylorist methods during the organization process, that is, its task was to mechanize, standardize, and make one-dimensional all social existence in a capitalist society. Free from high culture, mass culture did not realize such goals of equality and social views what critical Marxian ideas would have liked to set on it. Instead, radio, movies, TV, and the tabloid press developed into factors limiting the political subjectivity and capability of citizens (Adorno & Horkheimer, 2008/1944).

According to critical theory, then, the opening of the public discussion from small elite circles to the mass culture of a wide audience has not been accompanied with the kinds of changes in the hierarchical social structures that the seeming liberation of the public arena suggests. Public discussion is dominated by the celebrity cult produced by the entertainment industry and the spectacle-like superficial publicity. For example, Marcuse (1964) presented the idea that the current media culture is based on a one-dimensional view of people, which tends to mold individuals into passive "components" of the capitalist economic system. The task of the people is to work in Taylorist-bureaucratical organizations, and to use their free time after work as mechanical consumers of mass culture entertainment. An individual lives their life inside a cloud of false consciousness, without seeing their own subjugation as a part of the unjust power relationships of the capitalist system. The ideological shaping of the consciousness of a modern consumerist person has the subtle effect of distorting his or her understanding of the actual workings of economy and society.

On the other hand, a newer generation of the critical theory considered the analyses by Marcus and other original members of the original Frankfurt School to be too grandiose for the purposes of contemporary philosophical and social-theoretical debates. The leading scholar of the younger generation critical theory, Jürgen Habermas (1968) has distanced himself from the German Idealist legacy of Adorno and Horkheimer, and has turned instead to pragmatist and linguistic approaches to social life. According to him, the construction of culture takes place primarily in everyday interaction situations, where opportunities open up for a more equal construction and negotiation of reality. Habermas' (1984) own contribution has been to highlight the process of constructing social reality in communicative situations as an integral element of critical analyses. According to him, the organizing of reality, so to speak, takes place during the practices of linguistic interaction, where different parties are ideally capable of participating equally in the construction of the resulting version of social reality. Habermas describes these undistorted, open communicative moments with the concept of *ideal speech situation*, which refers to the just participation of the various groups (of an organization) in the linguistic and symbolic definition

and evaluation of the situation at hand. As White (1988, p. 56) summarizes, in an ideal speech situation each is allowed to participate in discourse, is allowed to criticize any proposal, as well as to introduce any initiative, and is allowed to express freely one's attitudes, wishes, and needs. Moreover, it is imperative that no one should be hindered by force to contribute and intervene in the unfolding dialogue. However, in a modern society, linguistic practices are often characterized by the systematic distortion of communication. Meanings diverging from the interpretations of the dominant parties are frequently being purposefully translated back into the language of the elite. For example, a view emphasized by workers regarding work as an economic guarantee of a stable family life can be ignored by translating this statement back into the framework where work is viewed as a positively defining motivation environment for an identity, and as a career project tied to the financial success of the company. The idea of work as economic stability can be reframed as "selfish" or "secondary," given the managerial ideology of employee commitment and the primacy of the economic health of the corporation. An "expert" in management may marginalize the voices or understandings of the other participants by imposing a discursive closure upon others. In contrast, an ethically balanced communication situation described by Habermas (1984) requires the guaranteeing of an open and just expression of the views and needs of different participants that are each considered as valid and legitimate in their own terms.

Habermas' communicative perspective of ideological closure or openness in interaction situations draws directly from phenomenology and hermeneutics as well as from modern linguistics. One of the differences compared to the interpretative theory's view of social reality as a jointly constructed form of interpretation by subjective minds is primarily the emphasis of the role of power structures or relationships. Habermas suspects that behind the interpretations, there is the effect of the unnoticeable translation of diverging perspectives to the language of the ruling parties. The critical theory does not rely on the neutral position of the experts who study meanings; instead, it strives to critically analyze the value-charged interests of the various parties of the institutional construction of meanings. Phenomenological analysis brackets the power structures related to the construction of meaning, which makes it blind to the social context of communicational situations. Indeed, some people consider Habermas' approach to be closer to hermeneutics, which recognizes that the description of interpretations always requires the researcher to surrender to a certain relationship with cultural artefacts and texts. On the other hand, the critical analysis of the construction of meanings emphasizes even more clearly than traditional hermeneutics the nature of interactive construction as a social practice that reflects and shapes power relationships, as

demonstrated, for example, by the famous debate between Gadamer and Habermas on the role of tradition in dialogic construction and transformation of cultural reality (Teigas, 1995).

Critical organization theory has been presented and applied to organization studies particularly by the Swedish researcher Mats Alvesson, and the British researcher Hugh Willmott. In the 1990s, their collaboration resulted in the books *Critical Management Studies* (Alvesson & Willmott, 1992, new version: Alvesson & Willmott, 2003), and *Making Sense of Management: A Critical Introduction* (Alvesson & Willmott, 1996, new edition in 2012). These works presented an approach widely based on Marxian social theories for the study of organizations and management. This movement has become established as the Critical Management Studies movement. From the early on, it was an eclectic program that was influenced both by Braverman and his Labor process view as well as by the more culturalist streams of the various members of the Frankfurt School. At the same time, the research community also began to draw upon other social-theoretical discourses, such as Foucault's poststructuralist power analysis (Knights & Willmott, 1989), but also from variants of interpretative organization theory (Helms Mills, Thurlow, & Mills, 2010). The consequence of this was a relatively open school, with researchers from various theoretical and methodological backgrounds (Adler, Forbes, & Willmott, 2007). On the other hand, the varying epistemological and social-theoretical emphases of the critical researchers meant that this movement has not become into an actual paradigm in the Kuhnian sense. Instead, Critical Management Studies is a diverse, moving field, with a lively internal debate on the relationships of research, knowledge, and power to the shaping of management and the organization process in contemporary societal contexts (e.g., Mills & Mills, 2013).

One way to characterize the theoretical eclecticism of Critical Management Studies is to map the area of its theoretical influences using the traditions of interpretative, critical-Marxist and postmodern or poststructuralist theorizing (see Figure 6.1). The Frankfurt School of critical theory draws predominantly, alongside classical materialist Marxism, from Weberian analysis of the workings of instrumental rationality, adding to its evolving views insights from different streams within interpretative theory (such as hermeneutics and social linguistics). The coverage of the Critical Management Studies, on the other hand, appears to be somewhat different in that it has been more directly influenced by the poststructuralism of Foucault, Derrida, and Lyotard, while adapting different interpretative traditions within sociology and psychology, and making less explicit use of the Weberian legacy of the analyses and diagnoses of the rationalization process within Western institutions and culture. In any case, theoretical blending across traditions is apparent in

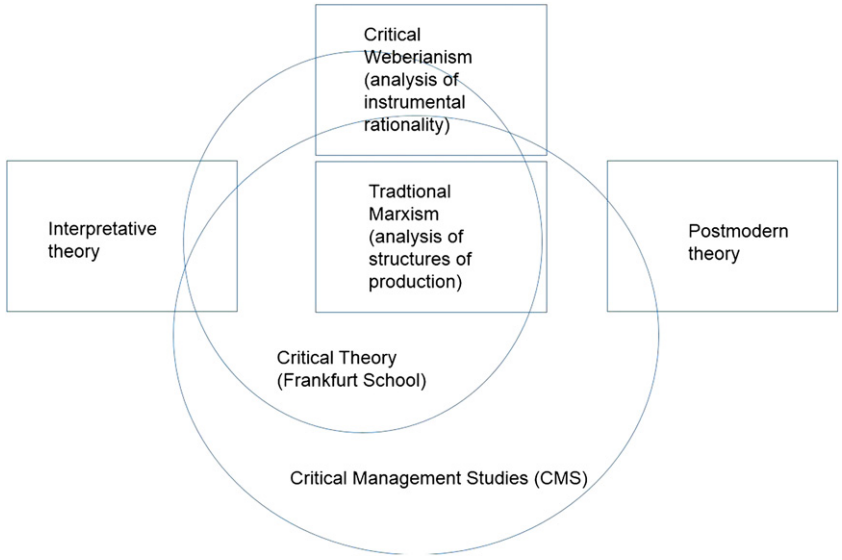

Figure 6.1. The Areas of Theoretical Influence in Critical Theory and Critical Management Studies.

critical studies, be that in the form of the earlier general social theory programs such as the old and young groups of Frankfurt School, or in the form of the more recent configurations emerging under the more specific label of Critical Management Studies.

According to Alvesson and Willmott (2003; cf. Deetz, 2003), the goal of Critical Management Studies is to approach organizations as realms of public, power-imbued practices, instead of treating organizing as an autonomous domain that can be reduced an objectivist science of effectiveness and functionality. Organizational practices are part and parcel of the wider societal structuring processes. Therefore, organizational expertise as well as managerial work must be positioned into a wider societal framework which does justice to the power structures of a capitalist production system, including the investigation of the operations and consequences of various techniques of organizational control as well as the ideological dimensions of corporate culture and consumer society.

The task of critical organization theory is to challenge established views and beliefs on management and the organization process. According to Alvesson and Willmott (2003), in pursuing this project, Critical Management Studies relies on five guiding principles:

1. Developing a nonobjective perspective for management techniques and processes: Management techniques, such as human

resources management, are not mere technological methods; instead, they are closely connected to the construction of social reality and social relationships in organizations. Formal techniques contribute to the performance of organizations alongside the more apparently informal, everyday instances (labor process theory, Weberian critique of rationality, Frankfurt School).

2. Revealing asymmetric power relationships: Organizations are microcosms who activate and renew wider power structures. The goal of critical studies is to reveal and challenge the privileged position of the top-level management in organizations and of the elite of the rest of the corporate world. For example, the division of labor between the strategic top of a company and the rest of the organization is seen as a political structure, which maintains the inequality between various groups (Traditional Marxism, Weberian analyses).
3. Resisting discursive closure: Rational management practices are often considered to be self-evident, and there is no open discussion about the value premises and political implications of ways of organizing. Critical Management Studies aims to break communicative closure, and to launch a democratic dialogue between various professional groups and stakeholders (Habermas).
4. Critical analysis of seemingly shared benefits: The goals of an organization and the decisions of a company's management are often justified by claiming that these are in the best interests of the entire organization. However, critical analysis reveals that the supposed common interests primarily represent the objectives of the owning or ruling class. These do not depict a communal consensus achieved through negotiations over the interpretations of various groups regarding the objectives of an organization (Frankfurt School).
5. The pivotal role of language and communication in an organization: Language contains, performs, and transforms social realities and relationships within and around organizations. When researching organization life, the linguistic or discursive approach helps to combine the wider analyses of class structure and ideology with the analyses of the construction of local meanings (Habermas; Derrida; Foucault).

6.3. Interpretation of Substantive Topics

6.3.1. THE RELATIONSHIP BETWEEN INDIVIDUAL AND ORGANIZATION

Critical theories emphasize the role of structures and ideologies in the construction of individuals' self-awareness. The premise is not so much the adjustment of an individual's psychological characteristics

to the organization's goals, but rather, viewing individuals as a focal point where various impacts of cultural and social structures meet. However, some trends within the Frankfurt School aimed to develop perspectives with which the psychological process and subjectivity of an individual could be analyzed from a critical perspective. For example, Fromm (2004) highlighted the imprisoning nature of societal ideologies on individuals. According to him, people living in industrialized, rational societies cannot actualize their active, productive side; instead, they regress to a limited or distorted self-image.

Distorted awareness of the self and one's own potential is described in Marxian terminology with the concept of *alienation*. To Marx, alienation meant that a person does not experience themselves as self-realizing actor, but rather, the world – including nature, other people and the person themselves – is estranged from him. The world seems to be an object above, and at the same time against the person, even though in reality, that is the person's own creation. An alienated individual is separated from the flow of construction of the social world and does not consider themselves to be a part of it. Subject splits off from objects.

Fromm's analysis combines Marx's terminology with psychoanalytical ideas. In this perspective, a person is separated from their true feelings and self, which is considered to be mainly the consequence of societal ideologies and power set-ups. A person is entangled in substitutes for the self. Citizens and workers have been removed from the opportunity to participate in the shaping of organizations in various everyday situations. Instead, they have been offered a kind of a shadow version of reality, which looks real, but is actually a distorted or a single-sided picture of social reality. The task of the critical theory is to highlight the ideological structures that produce alienation and to provide individuals with alternative ways to understand themselves and their relationship with the world.

For example, the alienation of the members of organizations is evident in the way in which insecurity and uncertainty are channeled into a longing for a strong leader (Gemmill & Oakley, 1992). Even though organizations have tried to move away from the idea of a strong, charismatic leader figure, workplaces still illustrate a need for powerful leaders. Critical theory interprets this as an indication of the alienated needs of people. Leadership is a fantasy or a myth, through which a worker alienated from their own needs and active role can be lulled into safety. It is thought that a strong leader saves an individual from their threatening sense of uncertainty. In an alienated worker's view, a charismatic leader figure acts as a savior through which the individual can experience a sense of belonging to a quasi-transcendent world (Prasad, 2005).

According to Fromm, members of an organization embrace strong leaders or even consumption-related obsessions, because their reaction to the pressures of an industrial society keeps them stuck within the assumptions of the system. Fromm (1941) describes this as negative freedom, or freedom from something. In such a state, an individual aims for liberation from the pressures oppressing themselves, but instead, ends up strengthening already existing fears and alienation pressures. This false sense of security can develop in three different ways, which are (1) the intensification of authoritarianism in power relationships, (2) the drive toward destruction, focused on the individual or on the external world, and (3) conformist adjustment to the general opinion.

Fromm's alternative, a true, emancipating freedom was "freedom to," the freedom to have the possibility of a shared existence, which was different from coercive institutions such as organizations or familial relationships. In Fromm's words, this kind of spontaneous, creative molding of the self and the world is the epitome of the basic human nature. Without the possibility to be involved with productive activities and self-expression, a person ends up in an intermediate state, where the insecurities produced by the social machinery are targeted at them without the person being able to get rid of the psychological pressure created through instrumental reason. In this case, the consequence may be an escape to a wrong awareness, and the methods therein for striving toward apparent freedom will actually make the individual even more imprisoned within ideological structures.

The strength of Fromm's approach lies in including the psychoanalytical approach as a part of critical theory which otherwise has a relatively structural view on organizations. In addition to being the realization arenas of macro-level material production relationships, organizations are also the spheres shaping individual minds. Social subjugation structures affect also individuals' psychology. Organizations provide opportunities for self-expression and finding a deeper meaning in work, but they can also form into freedom-limiting spiritual prisons, where workers become alienated from their true selves.

With regard to the social analysis of the psychological condition of individuals, the critical theory comes close to the ideas of the human relations movement regarding motivation, needs, and the opening of workers' potential through organization management processes. The difference between the underlying assumptions of the cultural modern and critical theory is that the latter is more suspicious of the opportunities of industrial societies in providing real, psychologically rewarding independence. Critical theory briefly touches upon the human relations movement's idea of enriching work and satisfying human needs, without analyzing and questioning

the background influences of ideological distortions and power structures. As was observed in Chapter 3, the human relations ideas outlined by Elton Mayo and his colleagues were based on the idea according to which a worker was not assumed to challenge the underlying power relationships in an organization, between the management and the workers' level. Taking exception to this, the liberating emancipation described by critical organization theory "is not a gift to be bestowed upon employees, but, rather, is an existentially painful process of confronting and overcoming socially and psychologically unnecessary restrictions" (Alvesson & Willmott, 1996, p. 162). Emancipation is a process of constant questioning, and of the redefinition of one's own identity, where the individual tries to shake off the apparent and unnoticeable influences of ideological structures, while aiming toward full participation in the construction and definition of the social world.

Recent applications of critical theory on an individual level have taken classical topics forward. The traditional ideas of critical theory, where oppressive structures function behind individual actor's backs, have gradually molded into an approach where the actor's own self-understanding and responses to ideological messages have their own role to play. A good example is Paul Willis' (1977) study on students in an English school, and their orientation toward further studies. Willis' ethnographic work studied the ways with which young people from a working-class background built their identities during their time in school. His observation was that working-class youths themselves wanted to become actively involved with hobbies that were not a part of the formal school culture. Accordingly, the youngsters were more interested in fixing up cars, for example, rather than being academically successful. According to Willis, the class structure works through the youths' own active selections and construction of meanings. The structures did not alienate the young people.

On the other hand, these working-class youths were aiming for the "wrong" fields, as far as a rise in the class structure was concerned. For example, their interest in popular culture and motorbikes later led them to fields of study which were traditionally starting points for lower-level work tasks, instead of heading toward more middle-class oriented academic areas of interest. Willis' analysis is a textbook example of the so-called structuration theory (Giddens, 1984), where researchers try to combine the functions of macro-structures with interpretative analyses on the social construction of identity and meanings in local practices. On the other hand, the study by Willis also highlights a considerable limitation: The working-class youths in this study were boys, and the working-class culture described by Willis is largely the masculine working-class culture in Britain. A more detailed analysis had highlighted the role

of gender between and inside the construction classes of identities and social relationships.

Critical analysis has, subsequently, tried to expand to other groups and identity positions as well, besides working-class laborers. One significant current is orientated toward the connection between gender and subjugation relationships. Organization studies related to gender have grown significantly over the past 20 years, and now constitute their own discourse within the critical approach (e.g., Alvesson & Billing, 2009). However, it is worth noting that not all gender-related organization studies follow the Marxian program of materialist dialectics. The questions regarding the standing of and relations between women and men have been analyzed from various perspectives (Calás & Smircich, 2006). Of these, the feminist theory in particular has extensively drawn upon postmodern and poststructuralist theories. On the other hand, studies related to gender roles have a clear connection with earlier critical research about the power relationships in an organization in monopoly capitalism. Broadly speaking, one could argue, that as a phenomenon of interest of critical studies, the tense relationship between men and women has widely replaced the analysis of the production relationships between the owning class and the workers as the contemporary terrain of conflict and contradiction in organizations.

For example, Ferguson (1984) tried to connect women's subjugation and dismissal with the operation of a bureaucratic and Taylorist organization model. She continues on the path set by Braverman, where rational organization structures are seen as manifestations and agents of capitalist social structures. The process of controlling a masculine worker through intense management technology, as described by the labor process theory, is complemented by a view of women as the target of a similar subjugating use of power. The organization class structure is orientated toward supporting the position of men in upper-level management and specialist tasks, while women are hindered from making careers, through arrangements and ideological assumptions embedded in the system that favor masculinity. Kanter (1977) also reached a similar conclusion, when she described the career opportunities of men and women in large companies. The weak position of women regarding the career mobility in an organization is not caused by their personal traits, bur instead, from organizations having been hierarchically divided into class spheres according to gender. The support tasks and secretarial-type jobs that are mainly done by women are situated structurally lower specifically because these are considered to be the opposites of those responsible jobs that are taken care of by men. The class structure of an organization is performed along the lines of the gender divide.

The most important premise of the gender perspective is seeing the masculine and feminine roles as social constructs. Gender cannot be reverted to biological or psychological differences; rather, it is the end product of organization processes. Masculine and feminine orientations and views are socially constructed, and therefore vary from one context to another. Neither are they neutral; instead, they are often connected with wider societal and organization structures. Gendering means that hierarchies become understood through contradictions related to gender; and on the other hand, that talk of gender often leads to a polarized discourse, where masculinity and femininity take opposite positions on the cultural landscape.

The feminist counterpart to Marxian unequal capitalist production relationships is the patriarchal society. According to feminists, the patriarchal model is common elsewhere in society as well, for example, in formal organizations. The structural characteristics of organizations reflect patriarchal relationships in many ways. According to Acker (1990), at least the following can be distinguished among these:

1. Gendered division of labor: Tasks have been divided in accordance with who is assumed to be performing them. For example, technical operations or the economy have traditionally belonged to men, while women are assumed to work in assisting tasks or – with regard to managerial tasks – in "softer" functions, such as marketing or human resources management.
2. Symbols underlining the division of labor: Various notions highlight the gendered division of labor. The public appearance of people in a leading position often emphasizes their masculine characteristics. On the other hand, when it comes to female managers, people often wonder how masculine they are. The more popular view still is that of a woman in a lower-level profession, or in a field of service, for example, an air hostess.
3. Everyday situations create hierarchies: Patriarchal structures are continuously reproduced through social interaction. For example, at a meeting, men can silence female voices, or women can be patronized when they try to make an impression with their professional skills.
4. Individual identity: Gendered subject-positions become stronger when individuals draw upon them when constructing their own social identity. Men start wearing a suit at the work place, because it highlights their masculinity and creates a connection between manliness and success. On the other hand, women can also consciously or unconsciously assume the identity of a carer or a supporter, in which case they identify with the traditional subjugated feminine role.

5. Connections with wider social structures: Gender supports the construction of other social relationships within organizations. It makes the subjugation relationships between the workers and the management more apparent, while the relationships between genders become similar to other power relationships.

Although Ferguson, Moss Kanter, and Acker illustrate the critical theoretical ideas behind the analyses of gender relation structures and power relations, Mills (1988) makes a direct link between Marx's historical-materialist approach and the understanding of the organizational hierarchies reproduced along the gender divide. Mills undertakes a reading of German Ideology by Marx and Engels to point out how sexual relations have served as an early blueprint for the later class-based antagonisms in capitalist societies and organizations. His argument highlights the way in which gender structures are intertwined with, and operate in a fashion similar to, economic class relations, emphasizing thus the relevance of the general stance of Marx, or, the centrality of material conditions and social positions resulting from the historically specific relations of production. Yet the close reading of Marx and Engels suggests that gender relations have a degree of autonomy from the socioeconomic structures of work and management, at the same time "overdetermining" and being "overdetermined" by class. Eventually, however, despite the unique features of the intimate gender relations offered in the societal view of German Ideology, Mills argues that the overall Marxian stance of viewing material relations as historically situated and changing constellations underlines the potential for resistance and transformation within the hierarchical system of gender culture in organizations as the oppressed exert their agency to challenge and eventually overthrow the prevailing reality. The resultant "materialist feminist" theory crystallizes the closeness of critical approaches to gender relations with the broader Marxist framework.

6.3.2. ORGANIZATIONAL MANAGEMENT

From the critical perspective, organization management is approached as a case of power and control. The critical theory approaches organizational process and management techniques as a power system, where managers, owners, and other dominating groups strive to turn other groups into implementing their own interests. However, research on organization politics and power is not a discussion saturated just with the critical-Marxist approach. Early organization studies addressed the roles of vertical and horizontal conflicts of interest in the organizational processes (Cyert & March, 1963; Dalton, 1959; Gouldner, 1954). The research on actual organization politics and power use started to develop in a more systematic format from

Table 6.1. Three Conceptions of Power.

	One-Dimensional View	Two-Dimensional View	Three-Dimensional View
Conception of power	Power as decision-making	Power as decision-making and agenda setting	Power as decision-making, agenda setting, and preference shaping
Focus of analysis	Visible conflicts and their resolution	Informal processes surrounding political struggles	Construction and institutionalization of ideas, beliefs, and discourses
Methodological approach	Observation of conflicts, decisions, and political coalitions in organizations	Ethnography of informal processes involving the shaping of agenda	Ideology critique; how actors come to misperceive their material interests
Nature of power	Visible and directly researchable	Both visible and invisible	Largely invisible; must be demystified

Source: Adapted from Lukes (1974) and Frost and Egri (1990).

the 1970s onwards (e.g., Pettigrew, 1973; Pfeffer, 1981; Mintzberg, 1983a, 1983b). Its focal point lay in the analysis of the development and influence of organization power groupings as a part of the wider analysis of organization decisions and final outcomes. Power and politics were seen as having a crucial influence on organization decisions, and on various strategic choices of organizations. To this extent, this was a critique of the traditional rational model. For example, the analysis of power tried to understand the formation of the interests and identity of various departments, as a part of the structural and professional diffusion of an organization, and the effect of this diversity on how strategic decisions were shaped.

However, from a critical perspective, the way of approaching the influence of power on the decision-making process, as adopted by the research on organization politics, is limited. For example, in his influential treatise, Lukes (1974) has stated that the traditional power perspectives which focuses on visible conflicts and their solutions only highlight one dimension of the workings of social power. According to him, deeper-level analyses are also necessary (see Table 6.1). Taking a two-dimensional approach, the attention is focused also on how the ruling parties strive to keep important choices away from the sphere of public political struggles. Power is used for trying to keep important decisions off the agenda. This is a kind of organization cabinet politics, where the decisions are primed in the backstage. While the one-dimensional conception focuses on the observable conflicts and decisions, the two-dimensional

approach requires ethnographic access to the informal processes where the agenda for the public negotiations is shaped. In the three-dimensional view, there exists also a deeper level where decisions need not be removed from the public eye, because the social reality of organizations has already been shaped in a way that enables to make disputable decisions and actions without any resistance. The cultural context of an organization has been shaped to be such that individuals accept the solutions driven by the management or the dominant group, even if these are not in the immediate material interests of the workers or for other groups in a subjugated position. Studying the third dimension of power calls for methods such as discourse analysis that reconstruct and demystify the subtle ideologies that mold the preferences of various actors as part of the suppression of the conflict in organizations. This practice is generally known in social sciences as *ideology critique*.

Including a third dimension to the understanding of power fixes the tendency of traditional approaches to organization power and politics to analyze power relationships only through their visible manifestations. The deeper power structures of organizations are not always visible for empirical research. Drawing upon Lukes (1974), Frost and Egri (1990) have suggested that a deep-level power analysis focuses on the manipulation of the construction of reality or to the shaping of the conceptual ground of organizations. Deep-level ideological power works through the use of self-evident ideas and beliefs. These are exemplified, among other things, by the neutralization of disputed questions. Jointly negotiable matters are presented as being already shaped by laws of nature. On the other hand, it is possible to rely on neutralization, that is, presenting a perspective that requires a value choice, as an objective truth. For example, an organization's division of labor between the strategic management and the operative work level can be presented as a scientific fact, by supporting it with historical studies about the hierarchical characteristics of ancient organizations. Third, the conditions subjugating workers or other marginal groups can be legitimized, or justified, by connecting them to some higher principle. For example, reductions in staff numbers can be justified by saying that these help to keep the company and the economy healthy; that is, employees can be viewed as sacrificing their jobs for the benefit of the survival of the entire society. As the fourth element, Frost and Egri mention socialization, where members of the ruling class obtain the skills, attitudes, and cultural capital beneficial regarding the management of the system, and power tactics, while those in a subjugated position miss out on the social learning of these skills.

The weakness of the three-dimensional model is the idea of the position of managers as independent users of the power system, compared to workers and other people in weaker positions.

However, already Braverman (1974) highlighted that professional managers are only small parts in the larger system of capitalist production relationships, the purpose of which is to ensure the benefits of the owning class. Therefore, it can be seen that in their own way, managers are victims of the dominant ideology, too. This has been pointed out by Jackall (1988), for example, in his excellent ethnographic study of the moral of corporate managers. Jackall's gloomy portrayal presents the managerial community of organizations as an arena of a constant cynical game. Managers have learned to follow their supervisors, while they themselves as supervisors act in an authoritarian way toward their own subordinates. The most important thing is to survive from various problematic situations without any apparent damage, not to strive to build an atmosphere based on trust. Managers give vague instructions to their subordinates, because then they can accuse their subordinates of not adhering to the instructions, if necessary. It is up to the subordinates to specify the details. On the other hand, managers compete violently among each other for the attention of the top level. A successful image is of utmost importance. In a hierarchical culture, personal principles often take a back seat. Jackall emphasizes that in a twisted management culture, success has its price. Over time, the constant cherishing of the public image and the censorship of authentic sentiments for the sake of the system's requirements will lead to anxiety and self-loathing.

Even in new, more flexible forms of organizations, the lives of managers and supervisors develop in a twisted direction, when viewed from a human perspective. In the interpretation presented by Sennett (1998), organizations separated from traditional bureaucracy squeeze their key people into a questionable mold. In flexibility requirements, the attention turns increasingly more clearly toward short-term career goals. It has become more difficult to outline the future, because the task structures of organizations are in constant change, after previous established corporate structures disintegrated into loose networks and project formats. Capitalism assumes that managers and workers shape their own lives into a similar drama consisting of short episodes, just like the short-paced operations of postindustrial economy. The ground shaped by global markets, structural arrangements in fields of industry, and frequent performance reports creates constant insecurity about the future. According to Sennett (1998), this type of environment erodes the workers' opportunities to build continuity between the past, present, and future. Contemporary knowledge workers cannot construe similar stories about their own professional development as previous generations could. Their self-respect as humans who care about their values and feelings has been drowned in the superficial temporary culture provided by flexible capitalism.

6.3.3. THE RELATIONSHIP BETWEEN ORGANIZATION AND ENVIRONMENT

In the critical-Marxist view, the operating environment often refers to the typical features of a capitalist society, such as the division of labor between the working and planning operations, class or gender structures, or alternatively, the increasingly more superficial and entertainment-oriented nature of consumer society. The starting point for the analysis is the current, historical understanding of the structural dimensions of the late industrial society, from which the analysis proceeds through the analysis of the immediate operating environment, to the internal processes and management practices of an organization. On the other hand, the critical approach is already analyzing the internal dynamics of an organization as the manifestation environment of wider societal structures and institutions, especially compared to the systems-theoretical perspective, for example.

One of the trends of the critical analysis of the operating environment of organizations is the sociological discourse known as *McDonaldization*. This concept was first introduced by George Ritzer in his popular book *The McDonaldization of Society* (Ritzer, 1993). According to Ritzer, on a general level, the operating logic of McDonald's hamburger restaurants describes the development of late capitalism. McDonald's operates on a franchising principle, whereby any McDonald's burger restaurant run by an independent entrepreneur adheres to the same centrally planned method of organization. According to Ritzer, McDonald's rationalist approach regarding the organization process in the service business has been a success, because the chain has been able to expand all over the world without any major problems. A burger bought from that restaurant always tastes the same, whether you buy it in New York or in Moscow. The organization of work has been implemented schematically, regardless of where it is taking place, or who are performing the service operations. Cultural and individual differences hardly affect the making, serving or consumption of a hamburger. On the other hand, fast food restaurants have meant that personal service and hand-made restaurant experiences have been replaced by superficial routine events, whose spirit has flattened to a mere fraction of its former self.

According to Ritzer, the McDonald's model depicts the organization process of the entire society. The typical parts of McDonaldization include the standardization, division, and simplification of operations. McDonaldization is characterized by the efficiency, calculability, predictability, and technology-orientation of its operations. Efficiency is evident in organizations trying to achieve their goals as quickly as possible, for low stakes. This model reflects the contemporary aspiration toward quick results.

New business operations should be profitable as quickly as possible and try to maintain measurable profitability in quarterly intervals. Consumers, as well, like to see quick results, whether related to learning, dieting, or even personal relationships. For example, online services helping to find dates have experienced an explosive growth, as single people map the relationship market with quickly compiled and read presentation profiles. Those areas of life that were previously characterized by a natural pace of development are now increasingly clearly under the same efficiency requirements as traditional industrial production technology.

Calculability refers to the increasing use of numeric or quantitative indicators by organizations. Quantitative indicators are easier to process than qualitative ones, because with the former, various spheres of operation can be combined under a common method of analysis. This characteristic is related to efficiency so that with the help of quantitative attributes, it is easier to measure an organization's efficiency. Qualitative criteria are dependent on the participants' subjective preferences and values. Quantitative indicators, purge, clean the organization's operations from any subjective values and substantive issues. The approach concentrating on numbers and result figures ignores any questions about the professional quality of the services or even of the cultural depth of the produced knowledge. Patients become customer contacts, and students become performance points.

Predictability is evident, for example, in the similar form of services in different environments. Consumers have been made used to getting a consistent level of service within a certain time, from one situation to the other. That is why products must be delivered to the client on a smooth schedule, without delays. Predictability in organizations means the elimination of surprises. Anything that is surprising, or what mixes up schedules, is seen as a threat to the normal operations of the system. The human element should be limited to as small a part as possible, so that organizations could operate as a part of a society where predictability is one of the core assumptions of operation. Predictability is also a part of the interaction between the consumer and the service employee. The check-out employees of a shop have been taught a particular way for communicating with customers, which is repeated from one routine meeting to another. After a few times, even the customer knows at what stage to wait for the shop employee to ask, "Do you have our frequent customer card?"

Technology-orientation is also an integral part of McDonaldization. The use of mechanical technology is a reminder for people that to some extent, their input to the system can be replaced by a machine. Many tasks have already been outsourced with the help of new technologies, to beyond the reach of human

work. For example, these include the administrative routines and calculation operations of offices. On the other hand, service operations are still largely based on the human element. To this extent, the development of technologies is limited. At the same time, however, researchers in Japan are developing a humanoid robot, who could be looking after the elderly, for example. In organizations based on extensive expertise, it is nowadays nearly impossible for professionals to perform their tasks without the use of complicated technology. In hospitals, a significant amount of the doctors' work time goes on the processing of patient information, and writing out prescriptions, using various computer programs. Technology is imposing on the human.

Together with David Jary, the British organization sociologist Martin Parker has stated that Ritzer's approach could be applied well to the development of universities. In their article, Parker and Jary (1996) describe the late capitalist university as a "McUniversity." According to them, universities have transformed from schools of higher education for the elite to education places of the masses. At the same time, the operating logic of universities has changed. First, universities are assumed to be more efficient than before. This means that universities should be providing more services and products with the same resources. Universities are considered to be inefficient, because they are focused on producing few concrete products, with long production periods. For example, in many fields, graduating from PhD studies requires intellectual maturity, which develops only over time. In this case, graduation can easily take longer than initially expected. Among other things, efficiency requirements lead to limitations of academic freedom, and to the simplification of the teaching processes. It is more efficient to teach packaged information, which is available in standard text books, for example.

Inefficiency can be analyzed better if the operation of universities is quantified. Instead of ambiguous goals such as education or cultivation of the character, the new logic focuses on quantitative indicators, for example, on completed degrees or research publications. The basic task of a university, the production of new information and understanding, cannot be quantified easily. That is why the management of a McUniversity prefers to talk about numbers. These can include result points, or alternatively, rankings in various evaluations and comparisons. Acquiring a formal accreditation is also more important for several universities than the perceived academic reputation or identity. In addition to the creative scientific operations that are difficult to model, the new logic emphasizes production processes that can be objectively described and managed. Indeed, there is talk at universities about turnaround times and graduation rates, which refer to predetermined norms about the movement of students from undergraduates to postgraduates. Objectified

production processes enable information to be predictable. Students have accepted this logic as well, and they expect the teaching machinery of a university to "process" them by the set time. Universities have to be flexible because of this predetermined norm; for example, tests and courses that are too difficult are made easier, to ensure that students can make good progress.

The McUniversity is only one telling example about the effects of McDonaldization in areas that previously had not been the direct objects of the ideology of efficiency and rationalization. Ritzer highlights that the McDonaldization perspective is a direct continuation of Weber's critical analysis on the rationalization development of modern societies. In this perspective, Taylorism is being extended to the realm of the contemporary the consumer society and the service business operations. On the other hand, McDonaldization is reminiscent of the single-dimensional society described by Frankfurt critical theory, where the population is managed with the help of technical information and technology. A McDonaldized society and organizations take the opportunity away from individuals to participate in providing and using services as equal members. Instead, the individuals have to be content with their roles as involuntary particles of rationalized and more efficient business operations, without a personal relationship to the processes and practices influencing things within organizations and around them.

Another example of the critical analysis of the operating environment draws upon the concept of *hegemony*, as outlined by the Italian Marxist Gramsci (1971). The Gramscian approach can be viewed as a critical method for the institutionalist analysis of organizations. For example, the institutional theory (Scott, 2001), which draws upon Selznick's (1949) analysis of bureaucratization (cf. Chapter 3), approaches the operating environments of organizations as socially constituted norms, regulations and interpretations, which form a cultural context for the operations and structures of individual organizations. The so-called new institutionalism has developed Selznick's original ideas with the help of resources such as Berger and Luckmann, and Simon and March, to provide a more cognitivist and processual image of the nature of institutions. Institutional theory departs from the functionalist accounts of the organizational environment by stressing the nontechnical aspects of the environment composed of shared beliefs, norms, and rules. It could be seen as sharing with the critical Gramscian approach a vision where the operating environments of organizations are understood as socioculturally structured fields that impose their particular habitualized beliefs and ideologies to individual organizations.

However, more clearly so than institutionalism, hegemony analysis turns its attention to the attempts of the ruling parties or groups to secure their own privileged position in the societal field

(Levy, 2008). In various ways, the ruling group of society strive to stabilize the dynamics of networks and fields by providing ideological visions, which other participants can grab on to. Those inside a hegemony, in a subjugated position, has accepted the ruling parties' definition of the situation, even if those definitions happen to be harmful for the interests of those in the weaker position. On the other hand, this situation which locks various operators in capitalist order is prone to changes and resistance during the shaping process of the fields.

For example, David Levy together with David Egan (Levy & Egan, 2003) have analyzed the effects of ecological views on the strategies and positioning of multinational companies in the wider environment of the markets and political operations. As climate change became a political topic at the end of 1980s, the hegemonic position of the energy and car industry on the market was threatened. The companies responded to the threat by creating a climate group representing 40 different enterprises within the industry, with the goal of shaping the discussion related to environmental threats for the benefit of the industry. For example, the climate organization tried to highlight the problems related to the scientific reasoning behind climate change. According to that, it was difficult to prove conclusively that climate change really is a threat to nature. The same group presented views in public wherein it emphasized the high costs related to the design and production environmentally friendly products. New technologies would make driving expensive. Furthermore, many jobs in this industry would be threatened.

The climate group of the energy industry was partially successful in its objectives. The group had considerable financial resources at its disposal, as it consisted of a group of the world's richest multinational corporations. However, as it proceeded to the next phase, the field of climate discussion changed in a way that did not completely correspond to the intentions of the large corporations who were controlling the field. UN's Intergovernmental Panel on Climate Change, IPCC, started to achieve common acceptance regarding the presentation of the scientific overview of climate change. A large audience already believed increasingly strongly in its analyses and scenarios, which were not flattering from the perspective of energy companies using fossil fuels. The governmental climate negotiators from the United States who attended the Kyoto conference did not want to be identified with organizations after corporate interests, which they considered to be too pushy and partial. The United States' political decision-makers did not want to lose the leadership on climate change issues to the European Union, which had already taken decisive action. European companies also seemed to be catching up to the American's lead in ecological business operations. This broke the united front of company representatives down even

further, when individual companies started to move closer to the positions adopted by the pioneering companies regarding climate issues. The energy sector was no longer the only active participant in the maintenance of the hegemony of companies.

At this stage, private companies started to consult with environmental activists regarding the risks related to climate change. In this way, they slipped away from the united front that had been built by the lead of the energy sector to deflect the threat caused by climate change on business operations. Therefore, the original goal of the large companies – to maintain their traditional hegemonic upper hand – was not completely fulfilled. On the other hand, those companies did not completely lose their ground, either. This was a matter of partial acquiescence with certain demands of new institutional powers and parties; and in return, the companies' legitimate role in the development and political shaping of the business operations of this field remained mainly intact. In the discussion about the management of environment and business, for example, the following idea was generally accepted: The response to climate change can achieve best results in a market-controlled system where companies themselves actively develop new, more ecological operating methods and technologies. From an ideological perspective, climate change was therefore not completely able to break down the prevalent belief in the self-regulating power of the market mechanisms and companies. The public opinion continued to be that markets were believed to be better at handling political-societal issues than governmental regulation.

The Gramscian perspective on the environments of organizations highlights the need for a comprehensive view when analyzing wider organization fields and networks (Levy, Alvesson, & Willmott, 2003). Market operations cannot be separated from political and ideological influences, since the construction of markets and industries in themselves have political consequences. For example, the corporate acquisitions and mergers that have taken place over the past decades are a good example of this. The merger of companies into global giants concentrates financial power in the hands of a few large corporations and their business management. Global giants can control markets and clients without any major problems, as they have no real competition. They have been successful in stopping others from entering the market, but at the same time, they have obtained a leading position of power, with which it is easy for them to control and even manipulate the markets. Competition and its resulting efficiency consequences, as emphasized by classical economics, does not concern these new super conglomerates. Global giants can also obtain easily a wider hegemonic position in societal-political systems. For example, they can threaten to move their production premises to a different country, in case the local public authorities do

not offer them advantageous operating conditions, such as low taxes, educated employees, or beneficial investment opportunities. Organizational environments are terrains for materially based power struggle.

6.4. Summary and Discussion

Critical organization theory draws mainly upon Marx's social-theoretical works. Braverman's (1974) writings in particular brought Marxian perspectives to organizational studies. Braverman's work addressed the changes in organizational structures and processes that led to the de-skilling or simplification of work in a modern capitalist production system. On the other hand, more humanist Marxism, particularly the critical theory of the Frankfurt School, has influenced the recent currents in the analysis of organizations, from the perspectives of theory, methodology, and organization practices. Various views stemming from Weber's radical interpretations have also joined the emerging corpus of critical organization studies, wherein the emphasis lay on the effects of instrumental rationality on the institutionalization of organization power relationships through various practices and techniques, more clearly so than in traditional Marxism. In addition to the idea of the subjugating and unequal nature of organization structures, a commitment to challenging and overturning the dominant social order lies within the core of the critical approach. Ultimately, the goal is to change the world. Researchers strive to emancipate workers and managers so that they would recognize the limiting effects of ideologies on human and moral capacity. Managers can be made to see the erosive effects of the capitalist system on the self, and potentially to make brave choices for the sake of a more dignified life. On the other hand, the approach is geared toward the structural features of systems, which are to be changed by politicizing the prevailing practices through public activism. For example, feminists fighting for the position of women are ready to challenge the received understanding of rationality and knowledge, both in management studies as well as in professional philosophy that they see as embodying the masculine privileges within the patriarchal system of governance structures.

Since the 1990s, critical organization theory has developed rapidly, particularly within European management studies. To an outsider, it might seem surprising that the organizational-theoretical work that had so far taken place in business schools and in business management studies has moved toward radical approaches. Indeed, business schools are generally known in the public imagination as havens for neoclassical political economy and managerialist ideology. Grey and Fournier (2000) have tried to explain the spread

of critical organization studies as a cumulative effect of the external and internal factors within the business academia. According to Grey and Fournier, critical theory has become a relevant approach in organization management partly because of the general changes that took place in the global system. These include, above all, the rise of neoliberal politics and the related managerial hegemony, which has penetrated not only the corporate sector but also the public administration. The neoliberal ideology has created a counter-reaction, at the core of which lies the construction of critical-theoretically based research programs as an alternative to the technocratic mindset of the managerial discourse of the advanced capitalism. Increasingly more people have also started to look for alternative worldviews, which would fix the weaknesses of Western or North American ideas regarding the theory and practice of management and organizations. In a globalizing world, the logic of the organizational processes and practices cannot be based exclusively on the cultural assumptions of industrialized Western countries; instead, other methods and philosophies should also be taken into serious consideration when outlining a balanced organization theory that would also be sensitive to local differences. As the third factor, Grey and Fournier present the crisis of positivism within management studies. The positivist, quantitative methodology has had to assume a defensive position as the result of the developments where postfunctionalist and qualitative research methods have spread from other social and behavioral sciences to management disciplines. In this situation, critical theories have provided a viable comprehensive program for the building of a postpositivist stream of organization studies, in parallel with other recent trends in theory and methodology of organizations and organizing.

In addition to these general intellectual shifts and trends, Grey and Fournier (2000) note that the growth of the business school sector worldwide has meant that new groups of researchers have joined the management related higher education institutions. The expanding business school field has had to recruit researchers from other branches of human science, such as from sociology and psychology. These scientists have brought novel social-theoretical approaches to the business schools, which is evident for instance in the increasing outflow of critical studies within the field. In many European countries, various Marxian tendencies have been influencing sociological theorizing and empirical research already for a longer period. At the same time, business schools have been struggling for their academic reputation. Critical sociologists joining the business school faculties have offered an opportunity for the schools to solidify international research and publication activities by allowing the sociologically oriented scholars to develop their own academic niches within the business school field. The somewhat

disputed societal insights Critical Management Studies are tolerated, because many critical researchers bring with them needed academic reputation, and help to achieve research-related performance goals as a part of the business schools' aspirations toward academic acceptability within the broader context of university politics.

On the other hand, Hassard, Hogan, and Rowlinson (2001) have highlighted that the emergence of Critical Management Studies can be seen to mirror the changes in the global system that took place starting from the 1980s. The left-wing theory and politics were at the height of popularity around the year 1968. At that time, students all over the Western world were rebelling against the institutions and generations they saw as conservative. The traditional Marxian analysis and critique of capitalism flourished, and gave impetus, among others, to Braverman to develop the labor process theory of organizational management and class structure. However, after a period of radical thought and widespread political activism, left-wing politics had to gradually yield to the central-right ideas in the political realm. The collapse of the Soviet Union and the communist Eastern Europe during the late 1980s and the early 1990s gave the final death blow to traditional Marxism. The collapse of real socialism, together with the communist China's move to market economy removed the last obstacles from the road of progress of the capitalist social system. In the opening post-cold war world order, there seemed to be no real alternative for market ideology in the horizon. The course of history seemed to have reached its end point, as Fukuyama (1989) declared in his famous essay inspired by Hegel and Kojéve. Left-wing labor parties in various Western countries accepted the basic characteristics of a capitalist corporate society as their premises for policy-making. Calls for "democratic socialism" were replaced by ideas about "radical democracy" (Ritzer & Schubert, 1991). At the same time, the traditional Marxian labor process theory began to be replaced with more cultural and relational approaches (Knights & Willmott, 1989). Some were inspired by the ideas of the critical theory (Alvesson, 1987). Others, in turn, found a new form a critique in postmodern theory, which had a more reflexive attitude toward power and subjectivity. It was particularly the poststructuralist approach developed by a loose group of French philosophers that caught extensive attention throughout the entire field of social sciences. Postmodernism and, especially, variants of poststructuralism brought with them a new style of thought and intellectual expression to the theoretical development of organization studies. This is why postmodern approaches need to be analyzed separately from other contemporary theories.

CHAPTER

7 Postmodern Organization Theory

Both the interpretative and the critical theory contributed to paving the way to postmodern organizational theory. The interpretative theory highlighted the subjectivity of the organizational reality and it epistemology, while the critical approach interrogates to influences of the underlying material structures and their ideological concealment in the formation of the organizational phenomena. To this extent, the postmodern view continues this development of post-positivist and postfunctionalist organizational theory, but takes the critique of the modern approach one step further, toward a philosophical criticism of the foundations of modern thought.

It is difficult to define postmodern theory as a uniform school. Various movements in art, philosophy, and cultural studies have influenced the development of this approach. For example, the postmodern movement in architecture sought to replace the prevailing ideas about symmetricity and functionality in built designs (Klotz, 1988). Furthermore, many postmodernists are critical toward conceptual definitions and closures of thought, and they do not wish to lock their identity to a predefined positioning. Postmodernists strive to consciously break down the building of traditional authority in scientific texts and institutional technique. As a consequence, postmodern theory is often complicated to pinpoint, and it can sometimes be better considered a literature style rather a systematic philosophical system.

Further complication is brought to the discussion by the divergent ways in which the concept postmodern was understood in its early introductions to organization theory. Postmodern was used to refer to a certain social epoch emerging after modern institutions and

structures, as well as to a new kind of theoretical approach for analyzing the constitution of societies and organizations (Bauman, 1988; Parker, 1992). In the former interpretation, postmodern theory is primarily understood as a general analysis of a postindustrial society and its organizations. The analysis of organizations strives to take into consideration the decomposition of modern bureaucracy, and the appearance of a new, more flexible form of organization, as a part of moving to a postindustrial era. This analytics can be referred to as *the theory of postmodern organizations*. In the latter, instead, the postmodern approach forms a separate, sociophilosophical approach that differs from the ontological and epistemological assumptions held in the modern approach. The postmodern approach analyzes organizations and the organizational science as processes performed in linguistic and other practices. *Postmodern organizational theory* views organization as a continuous process of articulating and putting into place a stable set of relations and meaning structures. However, the organization of the organizational world is never accomplished once and for all. Organizations, much like the science describing them, constantly have to struggle with the ambiguity and otherness of the material out of which order is to be produced. The ontological building blocks of organizations, for example, their structure, management, or employees, are phenomena being constantly shaped in discursive and material practices. However, this constant strive toward order as well as the inevitable fracturing of the temporary order is not guided by any external force. Unlike in the modernist approaches, postmodernism does not base its view of the social and dynamics on societal macrostructures (as in Marxism), the phenomenological powers of the subject (as in interpretative theory), or the assumed functions of the prevailing order (as in functionalism). There is no ultimate center to account for the emergence of particular social and organizational forms. The perspective that analyzes these ultimate processes and practices of organizing is generally referred to as poststructuralism (Cooper, 1986). Within the context of this book, postmodern theory refers specifically to the poststructuralist thinking about organizations and organizing. Before reviewing the implications of poststructuralist thinking on organizational theorizing, a brief look at the epoch theory of so-called postmodern organizations will be taken next.

7.1. The Theory of Postmodern Organizations

The theory of postmodern organizations approaches organizations as manifestations of a new era. Rational industrial society produced

bureaucratic organizations. However, the industrial society and its mechanistic structures had a breaking point after the traditional conveyor belt production, and the related one-dimensional concept of the market experienced a crisis from the 1960s onwards. Over time, Taylorist or Fordist organization of production started to change toward more flexible working methods and organizational structures. The mechanistic model started to give way to a more organic structure. At the same time, changes started occurring in the patterns of consumption, as well. Consumer markets based on standard products started to break apart into more individual segments. Companies could no longer produce practically identical products with Fordist methods, in accordance with the efficiency principle, to be consumed by the mass markets.

This development reached its peak in the 1970s. At that time, the traditional industrial model was in a predicament, partly because of the oil crises and the resulting economic recessions. The economic model of the Western countries seemed to be creaking in its joints. The leading industrial countries were suffering from inflation and recession while new countries, such as Japan and the oil exporters of the Middle East developed at a great speed toward the Western living standard. According to Piore and Sabel (1984), development leads to a new kind of organizational rise in the economy, which they refer to as flexible specialization. With this term, they meant the model of wider production, consumption, and the division of labor within economic fields, and cooperation, which also lead to the changing of organizational structures.

Flexible specialization describes the transformation of the traditional large corporate structure into a network comprised of smaller, flexible businesses. The regional economy in Northern Italy was used as the role model, where small innovative businesses work together for manufacturing high-quality and unique quality products. Partly, this was a matter of replacing the traditional conveyor belt model, and Taylorized, impoverished work, with the multi-skilled artisanal method. Flexible specialization includes:

(1) Small-scale production, with an extensive range of various products.
(2) Strong networks between small producers, with the help of which the field of actors can coordinate production and achieve efficiency benefits.
(3) Strong trade union movements represent the workers' interests, negotiating the national minimum requirements and local-level solutions of the conditions of employment.
(4) Public regional government that provides quality services and infrastructure for business operations.

Within large organizations, flexibility is manifest, for example, in the openness of work tasks, and the creative combination of various skills for the development of products and services. Within flexible organizations, workers are likewise no longer prisoners of hierarchical structures like in traditional bureaucracies. In addition to obstacles related to the division of labor, the difference between the manager and the worker doing productive work is also broken down. Workers can participate in the development of processes and products as equal partners alongside experts and supervisors. This adds a humanist characteristic to flexible specialization, emphasizing human resources. On the other hand, workers are no longer assumed to join into extensive national trade unions; instead, in this model, in addition to other structural changes, the organization of terms and conditions of the employment relationship is left to be decided by local parties. It is even possible that workers enter into an employment relationship without the influence of trade unions. Fordist logic is gradually transformed into flexible post-Fordism.

On the other hand, the positive characteristics of a flexible company are not necessarily equally relevant to all different groups. For example, those people in temporary or part-time duties often have a weaker position than those working on the core tasks of a company. The more marginal groups of society, such as immigrants or students, often work in these segments. Even though flexibility is sensible for a company's business operations, it subjugates those who are in a weaker position. The models of a postindustrial organization must also include an ethical element, with the help of which flexible companies can be considered to be separate from the traditional bureaucracies of the industrial era. Clegg (1990) has presented a description of a postmodern organization which combines the features of flexible specification with a more extensive organizational logic which surpasses bureaucratic rationality.

For example, the characteristics of Clegg's postmodern organization include the following: the definition of the general goals or mission of the company is not based only on the internal decisions of the elite of the organization but instead, all employees are in open dialogue regarding the company's goals. A technical culture with an emphasis on methods is counterbalanced with discussions related to values and a shared view of the world. Strategies strive to analyze an organization's developments and markets on a long-term basis, which differs from the Anglo-American economic model, for example, where companies often aim for proceeds within a short time period. In the management of an organization, the main emphasis lies in creating an atmosphere of trust, through democratic leadership.

Clegg's, Piore's, Sabel's and others' descriptions of postmodern organizations share a similar approach to the world of organizations after the refraction of the modern. Their starting point is a view in

which the structural and cultural forms of manifestation of organizations are approached through the specification of the typical economic-social structures of the time. This approach is interested in underlying societal structures which vary historically and institutionally, and which affect visible forms and processes of social organizations through various mechanisms. The theory of postmodern organizations is one attempt to interpret the time period after the modern industrial era through a breakdown of historically variable societal-economic structures.

Realist interpretation strives to proceed from surface phenomena to underlying structures and back while searching for the societal forces and mechanisms explaining organizational phenomena (cf. Fleetwood & Ackroyd, 2004). To some extent, it is reminiscent of the views of critical Marxian theory on the fundamental contradictions of society, which are evident in the shaping of production relationships. A postmodern or postindustrial organization represents a new form emerging from the ashes of the Taylorist industrialization model focused on factory production, with an underlying influence of a new societal-economic structure. The internal contradictions of Taylorism give rise to a new synthesis: postmodern organization. As far as the philosophy of science is concerned, the object of interest is the ontology of underlying industrial and postindustrial structures. For this perspective, the time period after the modern era represents a new historical time, where the conditions of the shaping of economic and social organizations change. In relation to this, although one can identify points of convergence in the views emphasizing the shift to more flexible and open practices of organizing, the postmodern or the poststructuralist theory offers a completely different type of perspective for understanding the intensification of the modern condition.

7.2. Poststructuralist Organization Theory

In the analysis of social and organizational knowledge, the Canadian philosopher Jean-Francois Lyotard was the first to present the concept of the postmodern, in his book *The Postmodern Condition* (1984). According to Lyotard's argument, the move from a modern society to a postmodern one does not signify simply a structural change; instead, it also brings about a new kind of attitude toward knowledge and the role of knowledge in the construction of social organizations. For him, the break-through from the modern culture to the postmodern primarily means *the breakdown of grand narratives*. By grand narratives, Lyotard refers to societal

and sociological views that explain the course and journey of history toward progress, as a part of humanity developing toward higher levels. These include, for example, the great narratives of Christianity, enlightenment and Marxism about the journey of the human community from the past through the present to the future. What all modern narratives share is the idea of progress toward an utopian space that supports the transition toward seamless knowledge and management of the world through science and technology.

In Lyotard's (1984) overview, the postmodern represents a certain era, which partially returns to the conditions of the premodern era. Knowledge is no longer based on scientific truth; instead, its value is determined more pragmatically. Previously, the task of information was to create a sense of community, for example, through religious norms and regulations. Lyotard saw postmodern knowledge to detach itself from great narratives and connect back to other areas of life. According to him, information becomes increasingly more connected to the market exchange, for example, in various new communication technologies. This also means that knowledge becomes a commodity whose value is measured by the efficiency and added value it creates, not so much in relation to the construction of great narratives within the creation processes of the global identity. Knowledge becomes dispersed into small stories, which do not necessarily have a connection to each other or the imaginary meta-narrative emphasizing the progress of enlightenment. In his way, Lyotard predicted an idea that later became prevalent, according to which the value of information is not connected to its scientific origin; rather, knowledge is analyzed only as one of the production factors, without any assumptions regarding systematic scientific methodology. Discussions about the management of knowledge, and "information economy" implement Lyotard's critical views on the epistemic culture after the modern, rational era. Information is decentralized and becomes a tool for the pursuit of financial profit, while faith in the great narratives of progress and liberation wanes (Table 7.1).

Even though Lyotard's philosophical study leads to the changing methods of knowledge of postmodern analysis, it is still somewhat tied to epochal thinking. Developers of the actual postmodern philosophy that was independent from historical sequencing mainly belong to the school known as poststructuralism. Its effect has mainly reached human and social sciences, which have had to reconsider their relationship to knowledge, power, and truth. In natural sciences and within the circles of traditional analytical philosophy, instead, the attitude toward poststructuralism has invariably been greatly reserved. Poststructuralism challenges science based on traditional rational reasoning and empirical evidence in a way that can be difficult to surpass. The new level of critical thinking it opened up

Table 7.1. The Structure of Knowledge in Premodern, Modern, and Postmodern Culture.

Premodern	Modern	Postmodern
Knowledge is largely in the format of stories, narratives. The leading narratives, such as various religious and mythological narratives, are based on their task of creating and maintaining social relationships.	Knowledge is based on scientific information, which in turn is based on verification or falsification, and the relevant empirical evidence.	Disbelief toward great narratives. The emphasis moves from methods to goals, also from output to input. The criterion of information is its exchange value and role in creating efficiency, not its truthfulness. Information becomes a commodity.

Source: Adapted from Lyotard (1984).

has triggered a backlash, both from the direction of the traditional positivist-functionalist approach as well as Marxian social theory. This is one of the indications that in its own way, poststructuralism has shown the modern assumptions about the nature of society and organizations, shared by movements considered to be different theoretical perspectives. Both functionalism as well as Marxism are similar large narratives, as far as poststructuralism is concerned.

On a broader level, though, poststructuralism cab regarded as another wave of European or Continental critical philosophy, whose thinking, in many respects, relies on previous classical schools and theorists. To begin with, the group of poststructuralists share a debt to de Saussure (1914), the developer of structural linguistics that contributed to the shaping of semiotic theory of meaning discussed in chapter four. According to Saussure, the meaning of any individual concept is created through the relation to its binary opposition. According to Saussure's argument, language is not a tool expressing the inner thoughts of its speaker; instead, it is a socially shaped system of signs, which is independent of the individual subject. The idea of structuralism regarding the ascent of the meaning of symbols in relation to their counterpart is a core idea in poststructuralism, as well. Signs or symbols do not have their own independent identity; instead, their significance is created in relation to another sign. Symbols, things, or people in themselves do not have an autonomous identity; instead, the role of units is created only through the act of differentiation. Poststructuralism's characteristics emphasis on differences, and subjectivity fragmented between networks of the language-like opposite relationships and significances primarily derives from this.

However, poststructuralism differs from traditional structuralism as far as the analysis of the relationships between signs is concerned. In structuralism and in the semiotic theory stemming from

it, signs construe coherent structures, which organizations and cultures rely on to become structured as communal wholes. In poststructuralism, in turn, the relationships between signs are seen as more open-ended. Signs or signifiers are connected to each other without culturally anchored code systems. Signs flow freely within the semiotic space, seeking various combinations in each historical situation. In principle, the relationships between concepts, people, and material entities are open to any kind of format. The objective of research is to analyze the construction, disintegration, and transformation of these historically changing shapes or discourses.

Another important background influence is the 19th-century philosopher Friedrich Nietzsche (Schrift, 1995). The generation of poststructuralists found a new inspiration for their new theoretical perspective – Nietzsche, who had been shelved away with the other classics. Nietzsche's philosophy, which emphasized life force and a rationalizing order of society, provided the suitable basis for outlining a conception of man which was alternative to that of the assumptions inherent in modern philosophy. Nietzsche's (1994, 2010) works provided a philosophical basis for the "thin" view of man developed by poststructuralists, where the characteristics of a subjectivity assumed to be natural or established are seen as discursive-material constructions of modern institutions of science and governance (Visker, 1995). In this view, the primordial, vitalist agency is seen to be the more original type of human subjectivity than the culturally, institutionally, and historically shaped subject positions of modern philosophy (Connolly, 1998). The release of the powers of "life" from the straitjacket of science, technology, and modern culture constitutes one of the themes for poststructuralists, which clearly reflects Nietzschean philosophical tradition.

However, it is difficult to summarize the main tenets of poststructuralism. This is partly due to the fact that this is not a clearly distinguishable school, but instead, a group of philosophers, mainly French, building up their perspective in a relatively idiosyncratic fashion. In addition to structuralism and Nietzsche (and Heidegger), the writers of this movement maintained an ongoing discussion in their texts to the traditions of Marxist-Hegelian, Husserlian, and traditional Kantian thinking. Another problem is that many works on poststructuralism have been written in extremely complicated language, which even those familiar with the topic can find hard to follow without difficulties. In general, the French thinkers Jacques Derrida and Michel Foucault are recognized as the main theorists of poststructuralism. Derrida has become renowned as the developer of a critical reading of texts known as deconstruction. Foucault, in turn, has influenced the analyzes of the interconnection of knowledge, power, and institutions, as well as the critical studies of the historical conditions and consequences of various scientific

discourses. Below is an overview of the main features of both of their work and its applications in organizational studies.

Derrida's (1976, 1978, 1981) goal of *deconstruction* is to strive to weaken the assumed authority of philosophical and scholarly texts. Derrida analyzes the social or organized world by comparing it to the writing and interpreting of written texts. He often concentrates on philosophical or scientific texts, whose internal coherence and balance his deconstructive reading aims to subvert. Unlike in structuralist semiotics, which is focused on the symbolic arrangements created by significance relationships, deconstruction is characterized by showing the artificial nature of established counterparts, or the so-called binary opposites. The goal is to dig into the difference-making within the significance relationships that are most important to the idea content of a text, and pinpoint the hierarchical arrangement tied up in a binary opposition. At the same time, the goal is to try to turn the binary opposition upside down.

Derrida's concept *différánce* describes the spirit of deconstruction well. As a term, différánce is almost the same as "difference," but at the same time, it also refers to the concept "to defer," which means postponement or delaying. With the idea of différánce, Derrida's purpose is to show that the meanings of concepts always arise from making a distinction in relation to other concepts. Concepts are significant or meaningful only if their negation is attached to them. In other words, the contents of terms are not the product of a single mind; instead, it is the outcome of cultural negotiation processes. On the other hand, construing meanings within difference-making relationships between concepts is a never-ending process, which only stops temporarily, if at all. A definite meaning always escapes our grasp within the free flow of signifiers. This is partly caused by every established meaning or concept containing the seed of its own destabilization. In written form, as well, the term *différánce* refers to two different concepts, even though when spoken aloud, it sounds nearly the same as *difference*. Thus, *différánce* as a kind of a nonconcept embodies in itself the postponement of the final meaning, which Derrida strives to describe and reveal in philosophical texts assumed to be stable.

Deconstruction aims to highlight the différánce or otherness inherent to various texts, which has remained in the texts as science and institutions strive for thoughts and ideas free from binary oppositions and networks of significance relationships. As expressed in Derrida's terms, every idea or concept that seems to be certain has an engraved absent opposition, which supports the existence of the concept in the semiotic sense. The purpose of deconstruction is to highlight this absent opposite, to show the dependency of the concept or idea perceived as clean on its opposite, and finally, to turn the binary opposition upside down so that the silenced

counterpart is placed in the dominant position. This helps to subvert the impression that a conceptual idea could be independent of the background influence of textual dynamics. Finally, Derrida also recommends that the new main concept, created from the absent opposite, should be deconstructed by softening it with notions and analogous parallels. This ensures that deconstruction does not include only the internal reversal process of the binary opposition of its object; instead, the analysis keeps the open interconnection between signifiers in its natural movement.

Michel Foucault's work has become known particularly for his analyses of professional practices and institutions, which lie parallel to the history of science. As far as organizational theory is concerned, his most interesting writings are from a period when Foucault developed the analysis of the connections between knowledge and power in various institutional environments, such as schools, work places, or hospitals. In Foucault's book *Discipline and Punish* (Foucault, 1977), his interest in the birth and influences of scientific discussions or discourses describing people led him to a historical analysis of criminology and the prison system. According to Foucault, prisons became established in the 19th century, as punishment methods changed from violent options to methods limiting a person's freedom, and which avoided the direct use of physical power. The prison became a new corrective institution where people tried to make normal citizens of criminals, by exposing them to corrective conditions. In Foucault's opinion, the prison represented a new kind of power, based on discipline and normalization, unlike the intimidating power based on the use of violence, which aimed to control the masses from the individual level.

The power of discipline was the form of power use in a modern, humane society. Within that, power is not evident in extreme manifestations; instead, it is rather hidden in structures and institutional behaviors. In prison, each criminal becomes a part of the corrective and educating system, with attempts to connect that part back to the normal arrangement, with often rather unnoticeable methods. Each prisoner is treated as an individual; but on the other hand, their individuality is dependent on the total control and monitoring of the system. For Foucault, this feature of the prison system is reflected in the architectural model, which is known as the Panopticon.

Michel Foucault (1928–1984)

Foucault was born to a middle-class family in rural France. He studied philosophy, but also got a degree in psychology. Instead of an academic career, Foucault became a cultural

(*continued*)

diplomat, and served for many years in Sweden, for example. In 1960, he returned to France and wrote his doctoral dissertation, "Madness and Civilization," which analyzed the cultural history of mental illnesses. After this, Foucault made rather linear progress on his academic career, publishing papers on the construction of specialist knowledge and institutions. He was often linked with structuralists. Among other works, this period contains the book *The Order of Things*, where Foucault claims that the modern humanist person is a relatively recent cultural invention, not a supra-historical constant on which the knowledge of human sciences could be built. After the university protests of 1968, Foucault's activities became politicized. At the same time, he was appointed as a professor at the most renowned institution in France, College de France. In the 1970s, Foucault published the books *Discipline and Punish* and *The History of Sexuality: Part I*, which analyze the institutional structures of power and subjectivity. Foucault became the leading poststructuralist whose writings started to spread elsewhere, too, particularly in North America. He visits the Berkeley University in California for extended periods of time. In the 1980s, Foucault's thinking changed again, this time toward the ethical construction of subjectivity. He published the second and third part of the series of the history of sexuality, dealing largely with the self-culture of the antique era. These works remain his last, because Foucault became ill with AIDS and died in 1984 when he was only 57 years old.

The Panopticon is a structure or spatial organization principle outlined by the Enlightenment thinker Bentham, where each of the individuals of a group has been placed in their own space, in this case a cell. The outer part of the circular building is divided into cells, all of which let in light. Light illuminates each prisoner so that they are visible to the center of the building. The watchtower is situated in the middle of the building. What is essential for the use of power in the Panopticon is that the center of the system can observe individuals without the individuals seeing the central tower. The prisoners cannot know if there is actually anybody present in the central tower, watching them, but the awareness of their own visibility, and the possibility of their actions being monitored are enough to create an awareness of being under supervision. Prisoners themselves start to monitor each other as they become the objects of constant display and potential monitoring.

Foucault's argument is that the Panopticon only represents a change in the methods of the use of power. A prison can seem more humane than the previous system, which was based on corporal punishment; but on the other hand, it can be seen as an ultimately similar system of the implementation of control, like executions and physical punishments. The power based on discipline works by shaping its object into an individual aware of their own identity and their weaknesses. A prisoner living in the Panopticon can be controlled with subtle methods, by arranging him in accordance with visibility, monitoring, and corrective measures. What is essential in this institutional setting is the idea of the normalization of a prisoner, making them similar to the civilian population. The prison institution strives to remind the criminal of having to adjust to being a normal citizen, which requires making a correction, but also a constant comparison to the normal citizen considered to be the ideal.

In the Panopticon, a disciplinary institution becomes a corrective and educational institution. However, this apparent function does not hide the fact that the main task of an organization is social control and the management of population groups. In the Panopticon, a necessity has become a sort of a virtue, where group control mechanisms can be presented as methods increasing the operating capacity of individuals. Gradually, the same organization principles spread to other sectors, as well. Foucault describes how various rational methods such as schedules, evaluations, and the placement of individuals into various classification scales started to shape early schools and work places. These can be analyzed as some kind of organizational-administrative variants of the Panopticon, which act more extensively as the mechanisms normalizing the workers' identity, rather than the Panopticon-architecture based on spatial logic. As they spread, the organizational techniques based on discipline were no longer understood as the solutions related to problems of power and management that they had historically appeared as. Disciplinary power has become a positive management theory.

Another important contribution from Foucault is the presentation of a new kind of power concept. Disciplinary power, as represented by the Panopticon, highlights that power can through the adaptation of the individuals' own subjectivity. Traditional conceptions of power are based on the idea according to which the use of power always denotes an activity where the person with power makes the person subject to the power do something that they would not otherwise do. This is the concept of "power over somebody," generally used in social sciences, used in various formats within the approaches of traditional and critical theory, as well (Peltonen & Tikkanen, 2005). However, Foucault has outlined a different way for understanding how power works. His attention

focuses on the construction of the power relationship itself, instead of on the resources of the parties using power. The focus is on the organization process of identities and the relationship, which precedes the traditional asymmetric power settings, wherein the responsibilities and obligations of each party become defined.

Heiskala (2001) has described Foucault's conception of power in relation to the traditional view of "power over." Heiskala emphasizes the connection similar to a semiotic relationship of a sign that is present in Foucault's perspective, which requires the establishment of external power settings. For Foucault, power operates through free subjects, not over or behind them. Accordingly, everyone participating in a power relationship will consciously or unconsciously create their own position subjective to power, with their own interpretation work and the internalization of various identity positions. On the other hand, those who use power or who have power also have a connection to this semiotic relationship, which enables to achieve asymmetric power. For example, in the Panopticon penitentiary, once the prisoners have accepted the new identity, changing from a criminal to a normal person, with the relevant categorizations and evaluations, their subjectivity becomes locked in the subordinate role. At the same time, the guards at the central tower and other administrative staff accept the subject position of the observer as a part of the underlying difference-making between two different groups of personnel that influence the hierarchical relationship.

Foucault's concept of power is often referred to as a *positive or productive power* because it differs from the traditional negative concept of power. In his essay *Subject and Power* (1983) (in the book Dreyfus & Rabinow, 1983), Foucault emphasizes that direct physical coercion is not power the way he means it, because a power relationship always requires the activity of the other party. According to Foucault, understanding power as a structural domination like in Marxism would also not be sufficient for analyzing how power relationships are construed through actions. Instead, Foucault wants to analyze the techniques or mechanisms of using power. According to him, what is interesting in power is its ability to work indirectly when it comes to shaping someone else's latitude for actions, or, agency:

> In effect, what defines a relationship of power is that it is a mode of action which does not act directly and immediately on others. Instead, it acts upon their actions: an action upon an action, on existing actions or on those which may arise in the present or the future. … When one defines the exercise of power as a mode of action upon the actions of others, when one characterizes these actions by the government of men by other men—in the broadest sense of the

> term—includes an important element: freedom. Power is exercised only over free subjects, and only insofar as they are free. By this we mean individual or collective subjects who are faced with a field of possibilities in which several ways of behaving, several reactions and diverse comportments, may be realized. (Foucault, 1983, pp. 220–221)

Like Derrida, Foucault plays with words. He refers to the two-fold meaning of the term "subject" as he is clarifying the details of his approach. "Subject" usually refers to the conscious and autonomous self, who observes and structures the objective world. On the other hand, in the English language, this term has a second meaning, as well, where being a subject refers to being under somebody's control, or dependent on somebody, like in the expression "subject to." For Foucault, subjectivity is a two-fold matter, where on the one hand, individuals become functional members or parts of a society; but at the same time, they are subjected to act according to the position to which they are attached by being defined and defining themselves in a particular way. Becoming a subject denotes the internalization of cultural norms as a part of the concept of the self as an active social or organizational actor.

The critical analysis of autonomous subjectivity takes Foucault's analysis toward those areas of institutional and organizational life which traditionally have not been assumed to be imbued with power. Foucault was particularly interested in scientific and professional practices related to the definition of human characteristics in various institutions. These include, for example, various psychological data formats and practices, such as the history of the emergence of mental illnesses, behavioral sciences, criminology, and the development of the concepts of sexuality. The goal is to show how seemingly neutral scientific discourses, independent of power, are connected to the changing forms of the use of power. Innocent information gathering techniques and professional practices are a part of the complicated technology of management, where individuals nonnoticeably become normalized subjects who enable and support the organizations' use of power.

Both Focault and Derrida have an unprejudiced attitude toward the organization process. Their theory does not define which forms social organizations can assume; rather, their approach emphasizes openness to new cultural formats that challenge the currently valid institutional structures. In a way, every organized system is equally fragile in the sense that its apparent basis can disintegrate at any moment. In principle, ideas, people, and material objects can become organized in any way possible, and the dominating format at any given time becomes established through conscious and unconscious management processes. Both

Table 7.2. Poststructuralism: The Contributions of Foucault and Derrida.

	Michel Foucault	Jacques Derrida
Main contributions	Foucault (1977)	Derrida (1976)
	Foucault (1980)	Derrida (1978)
	Dreyfus and Rabinow (1983)	Derrida (1981)
Central concepts	Knowledge/power, positive power	Deconstruction
	Panopticon	Differánce, differentiating
	Discourse	De-centering of the subject
Applications in organizational studies	Townley (1993)	Chia (1996)
	Knights and Morgan (1991)	Kilduff (1993)
	du Gay (1996)	Martin (1990)
Application areas	Identity/physicality	Identity/otherness
	Power	The philosophical principles of organizational theories
	Surveillance and monitoring	Communication

Foucault's analytics of power and Derrida's deconstruction are applicable when trying to reveal the scientific and institutional foundations assumed to be natural to management and organization processes (Table 7.2).

7.3. Interpretation of Substantive Topics

7.3.1. THE RELATIONSHIP BETWEEN INDIVIDUAL AND ORGANIZATION

One of the core topics within poststructuralism is challenging the traditional view of individuality. Ever since Descartes, modern science has analyzed the subject by dividing it into a rational mind and a nonrational body and emotions. The postmodern perspective tries to demolish this dichotomy, and to point how human subjectivity is often born at the intersection of various influences and powers, in a way that the reason-related and nonrational characteristics of individuality are intertwined with each other. Reason and emotions can be separated only seemingly. More generally, subjectivity is seen to be shaped in relationships that create difference-making. Identities do not arise from natural individual traits; instead, they are built in interaction with others. Identities strive to strengthen by expressing the assumed self in relation to its counterparts.

Poststructuralism strives to dismantle the dualistic thinking and to demonstrate how despite any efforts, subjectivity contains both desired and non-desired features in any cultural state.

For example, Kilduff (1993) has shown how the model of the limitedly rational actor presented in Simon and March's book, *Organizations* (1958), repeats the mechanist view of humanity it renounces. Kilduff's deconstruction is concentrated on a close reading of *Organizations*' textual strategies. The core argument of the book is that earlier organizational theory has relied upon a technical view of humanity. On the other hand, Kilduff demonstrates that Simon and March are unable to completely detach themselves from mechanistic assumptions, but in fact end up defending a very Taylorist model of an organizational subject. Within the context of this book, a limitedly rational actor is a simple individual, who has to rely on routine operational programs in order to perform various tasks. Taylor's machine-like worker has been replaced by a computer-like, programmable person. Simon and March exclude the view of intuitive actor, even though it represents that counterpart of the modern thought which is a core prerequisite for the existence of a rational view of humanity. A nonrational concept of actors maintains mechanist assumptions, even though the position of the intuitive view of humanity is forbidden and silenced within the modern approach.

Particularly in Foucault's Nietzschean analysis, people are viewed as fundamentally physical beings, who have been able to refine their raw impulses and desire for power into a civilized nature. An individual's motivation depends on which kind of a person they have organized or have been organized into. Raw impulses, the desire for power, and other primitive agency is released through those channels and forms which the identity allows for these energies. In Foucault's terminology, this basic primitive agency is described with the concept of *force*. The identity of an individual is born when the internal forces meet the external, cultural forces. Institutions with their norms and ideas need a living individual, who can be influenced to change the direction of their activities. External powers must face the internal powers before it is possible to talk about the birth of subjectivity (Deleuze, 1988).

One of the Foucault's most famous analyses on the formation of subjectivity is about the institutional ideas and practices of sexuality (Foucault, 2000). He focuses on Victorian puritanism and the liberation from it. However, the idea of a free subject is still twofold; it simultaneously recognizes that we are still not completely free from all inhibitions. This is the so-called *repressive hypothesis,* where on the one hand, people imagine that the former restrictions and norms have been overturned, but at the same time, maintain a kind of a vicious circle where individuals analyze each other

in relation to the assumed normal identity, in this case the normative views related to sexuality. According to Foucault, this results in the channeling of the individual's strengths and desires into directions deemed to be normal, instead of individuals using their feelings and desires in the Nietzschean sense of "life," as a creative energy for creating new social relationships and operating models.

According to Townley (1993), this regression hypothesis operates through various psychological management methods within organizations. For example, these include different personal development programs where workers are encouraged to detach themselves from their bureaucratic roles and to become liberated as the agents of their true self. However, this liberation is only illusory, and its purpose is to guide the members of an organization to shape themselves into something similar to the characters the organization considers to be ideal, without acknowledging individual differences in this process. Instead of individuals being able to use their energies and desires as new creative forces, they become struck repeating the recognition of personal liberation. In a way, they remain in the middle ground between insufficient and normal subjectivity like the prisoners of the Panopticon, who could not consider themselves to be criminal outsiders of a society, but who at the same time remained at a distance from the ideal of full civil citizenship.

From the poststructuralist perspective, the shaping of identity is a part of the multi-level dynamics of organizational control. For example, the idea of workers as entrepreneur-like individuals can be seen to be connected to a new type of power setting in a society, where in addition to arrangements imitating various market models, individuals are shaped into atomistic risk-taking subjects in accordance with market liberalism. Foucault (Foucault, Burchell, Gordon, & Miller, 1991) elaborated this point in his writings on "governmentality." According to du Gay (1996), entrepreneurial culture ties management attempts of the societal level to micro-level practices, where workers are molded into a new type of social personae. The previous identity that had been connected with work and the membership of an organization is replaced by subjectivity, where an individual becomes the market actor of the internal processes of an organization. In relation to this, individuals are defined and analyzed as independent economic actors, instead of them being able to comprehend themselves as a collective tied to an organization or a professional community. Entrepreneurial culture also includes mechanisms similar to the repression hypothesis, through which individuals are encouraged to recognize their suppressed entrepreneurial characteristics and become liberated from limiting attitudes, which are prevalent particularly in operating methods

related to bureaucracies. Entrepreneurship becomes the natural norm of humanness.

7.3.2. ORGANIZATIONAL MANAGEMENT

Organizational management repeats the above-mentioned type of view on the limitations and contradictory consequences of the organization process. On the other hand, it is important to note that poststructuralist theory offers a different kind of interpretation compared to the theory of postmodern organizations. Discussions about postmodern organizations are based on realistic ontology, where the nature of social ordering is defined by objective underlying structures. In other words, fundamentally speaking, organizations are ordered. Often, practical-based management literature in particular tends to analyze post-bureaucratic organizations in a modern way, from the systems perspective (e.g., Pettigrew & Fenton, 2000). Therefore, these approaches assume that organizations are defined by a systemic or structural order. Instead, poststructuralism is based on the fundamental *undecidability* of the world. Social organization is always and only a temporary state, where the instability and complexity of the world acquires a comprehensible shape for a limited time. Organizations and the organization process are primarily characterized by the movement of several various forces and texts against each other. Even though social organization is the product of the interaction of these influences, which itself does not have an existence separate from the process of organization (Chia, 1995, 1996).

Poststructuralist theory tries to avoid the simplified leap from the modern bureaucracy directly to its opposite, that is, the flexible organizational model, and the relevant ideas of management, culture, and empowerment (Styhre, 2007). In theory, organization processes are analyzed on their deeper, primordial level, for example, through the close analysis of the use of language or the specification of various managerial techniques. The poststructuralist perspective on organization leads to an interpretation where the manager's operational power dwindles in front of the world-shaping nature of discursive-technological mechanisms. The manager's approach regarding the management of an organization is one of the *consequences* of organizational processes. This has been superbly demonstrated by the sociologist Law (1997), in his short essay *The Manager and his Powers*. This work depicts a poststructuralist thought game where the influential arrangements and technologies behind the manager's power in the scientific laboratory studies by Law (1994) are removed, one by one. Things and people that seem self-evident and neutral on the surface endure organizational contexts where a manager can control and form

concepts of the whole. Law wants to ask what remains of a manager once these discursive and material prerequisites are taken from them. Law begins his analysis by admiring the external symbols of the manager's status:

> Look at that office! Look at the carpets! Look at the conference table. The easy chairs, the coffee table. The magazines. The oiled teak desk. The fancy chair. The personal computer. The telephones. The papers. The intercom. The secretary. The electronic mail. The fax machine. The airline tickets. The invitations to speak. To travel. For, as we look at this room, we can sense open doors in faraway places, London, Brussels, Los Angeles. We are watching the appurtenances of power.

Then, he proceeds to the thought game where a "deconstructive fairy" comes and starts doing things in the researcher's imagination, as a consequence of which the things and people surrounding the manager start disappearing. As Law emphasizes, this analysis is partially imagined, because in reality, we cannot perform the operations in questions without facing a strong opposition regarding the endangering of self-evident issues. We cannot simply undermine order without it being perceived as threatening. However, in the thought game of this analysis, the fairy enters the manager's office and starts conducting her deconstructive operations in the manager's everyday world:

> This fairy, she is cruel. She strikes where it will hurt. For first she has taken his computer! His computer? A box with wires? A keyboard? Well, yes. But more. Much more. For it is also his spreadsheets. His budgets. His projections. Suddenly these are gone, all gone. And Andrew, the all-powerful manager cannot calculate any more. He no longer knows anything about the finances of the laboratory. Are they making money? He has no idea. Perhaps the creditors are knocking on the door. Perhaps they are bankrupt. He cannot tell. He has no idea – for without his computer he is no longer an manager-accountant.
>
> But worse, his archives are starting to erode. For when she waved her wand and the computer disappeared, then suddenly his memory started to fail too. All those files. Years of work All those papers and publications. All those letters. His electronic diary. All gone. He has no idea what he did or said. What he thought. Where he was. Where he should be. Or when. He is a man without a memory. A manager without a past.

In this story, tools are taken away from the manager, one at a time; tools, which during everyday operations seem as secondary support devices, but which appear as organizational practices in a poststructuralist analysis. Various technological tools and devices with the purpose of completing managerial calculations and writings are an integral part of the organization process of an organization. These are also important for the manager's ability to outline and manage an organization as a whole. These create an image of the financial situation of an organization, as well as expanding the manager's horizons from the current moment to past events, and also to plans for structuring the future. The power of influence of a manager depends on how they are able to construe an organization as a whole taking shape in a certain space and time. On the other hand, this also requires various social relationships to be cherished. The role of these connections becomes apparent when the fairy in the story cuts off the manager's channels of communication. Gone are email, and, eventually, the social network of secretaries, staff managers, and even the driver.

The manager is dependent on many other people, who make the manager their supervisor by their own activities. A manager needs others who, first of all, recognize them as a hierarchically superior person. In management theory, there is often talk about the role of followers in the creation of the identity of a leader individual (Grint, 2000). The followers make the manager, by interpreting and treating them like a supervisor. Second, other people operate by expanding the manager's operating power. The manager cannot rely on technology alone; they must actively take control of the various parts of the organization, and stakeholders, in order to implement the manager's ideas. Electronic mail and wireless communication are essential, because with the help of that, it is possible to be present in other places. Many supervisors seem to spend more time with their communication devices, rather than their direct subordinates. An integral part of a manager's work is influencing others with speech. On the other hand, even the manager is limited by the structures of social networks and cannot always create the contacts they want to create, because networks are comprised of various types of dependency and loyalty relationships between several individuals and groups. Removing the instruments of a manager's influence reveals the limited nature of supervisors with regard to the management of an organization. Managers in themselves are very limited. Their agency arises from organizational arrangements and technological artefacts. Law finishes the thought experiment:

> And what we have learned is this: that Andrew, the greatest power in the cathedral of science, this organization, the fearsome Director, that Andrew is nothing by himself.

> By himself? What is he by himself? Answer: he's a naked ape – with all the powers of a naked ape!
>
> This, then, is the lesson. We are all spread out. We are nothing more than a network of social and technical relations. We are made by our organizational relations. Power resides elsewhere. It is always deferred. It is always a product. It is always an effect.

Law's final conclusion is that the manager of the laboratory-organization does not have a power of influence independent from the surrounding arrangements. The power is vested in organizational practices, texts, and technologies. The role of the manager is to strive to use them in a way that guarantees the manager a grasp of the totality of the organization's operations. On the other hand, the identity of a manager in itself is also a product of organizational relationships and techniques. A manager is construed into a manager only when the relationship networks have become established or institutionalized. This is a construction of a kind of a Panopticon-like arrangement, where the position of the manager as a guard of the central tower is subject to the organization of relationships. The power lies with the Panopticon, which provides various subject positions for individual people and groups. The members of an organization become workers, experts, project managers, experts in financial management, or managers. The construction of an organization creates a group of subjects with their responsibilities and obligations, as well as an organizational objective reality. A group of subjects is born, who use information, and act in relation to an assumed object. However, this must be understood only as the consequence of the stabilization of the organizational totality, which in itself does not have a stable basis.

In his writings, Law relies extensively on the so-called actor-network theory (ANT). This is a theoretical movement based on the study of science of technology, which analyzes the organization process of social organizations and fields, and particularly the role of technology in the establishment of organization (Latour, 2005). The most famous developer of this approach was the French sociologist Bruno Latour, together with his colleagues Michel Callon and John Law. The ANT provides one way to describe the organization process of organization and networks. This approach combines poststructuralist ideas with the traditions of interpretative research in a way that makes it rather easy to apply to empirical research. Indeed, the ANT has been a popular perspective for analyzing organization processes from the perspective of material and technological arrangements as a part of the general poststructuralist theoretical approach (e.g., Czarniawska ja Hernes, 2005; Law & Hassard, 1999).

In this context, it is not possible to give an extensive overview of the conceptual scope of ANT. Those who are interested in this movement can find out more, for example, from the websites of Bruno Latour (http://www.bruno-latour.fr/) or John Law (http://heterogeneities.net/). From the perspective of organizational management, the focus is on the actor-network theory providing one relatively clear interpretation model for the study of the stabilization of organizational wholes (Callon, 1986). In the widely used interpretation model presented by Callon, the first organization stage of a whole is represented by a phenomenon called problematization, which refers to setting a focal point on a problem or open question formulated by a particular authority figure. For example, a business management consultant can ask whether the organization operates in a customer-oriented way. This problematization of operations directs attention to certain features of the organization and construes potential roles for various groups. These can include, for example, the role of the consultant-developer, the role of the manager, the role of the bureaucratic opponents, and so forth. Problematizations suggest a certain social drama, where people in certain roles act similarly to the actantial model presented in relation semiotics (Greimas & Courtès, 1979). In the actor-network theory, people are referred to not as actants, but as *actants*, which refers to the identity of individuals and groups as a part of a cultural construction similar to the myth structure. Actors can also be technological artefacts.

The problematization by a consultant or another figure pursuing a power of influence is followed by the stabilization of roles, that is, "intressement." At this stage, the textual constructions similar to the actor models are aimed to be moved to practice. The particular goal is to lock the actors into the roles reserved for them. This occurs primarily by enticing individuals and groups to accept the subjectivities intended for them as truths representing their real interests. For example, a consultant can try to convince the workers that it is beneficial for them to strive for more customer-oriented operations, because this would make them more satisfied with their work, while the organization also achieves its objectives. Customer service provides a deeper level of job satisfaction, but at the same time, it requires a complete dedication to the task, using the entire persona. This can be justified with studies on work psychology, for example. On the other hand, even the management can be encouraged to become acquainted with interaction with customers, instead of general-level management. It is also in the managers' interests to become involved with operative sales work, every now and then. At the same time, the establishment of interests can also rely on pressuring: for example, a consultant can emphasize that in case commitment to customer service and acting accordingly is not pleasing for a worker, they can always change jobs. A consultant can say

directly that a person can either learn to perceive customer service as an important part of their role or instead, they can decide that this kind of work would not correspond to their wishes or values, and move elsewhere.

The establishing of roles leads to the next stage, where the individuals and groups adapted to the roles in accordance with the actor structure start to change their own preferences, to be more in line with the ideas of the level of authority ("enrollment"). For example, workers start to see customer-orientation and deeper commitment as a topic that rises above other benefits. They forget the improvement of their own position through collective organization and professional organization processes, and start implementing individual identity projects, the goal of which is to become a better customer service representative, and through that, better or more complete people. On the other hand, in doing so, the workers themselves cannot be sure about how well their operations are meeting the normative criteria of customer-orientation. Neither can they directly see the consequences of their new kind of behavior with regard to the realization of organization-level goals. As a result of this, workers become dependent on the information provided by consultants and managers. Together with managers, developers of business management have access to the information about the level of implementation of customer-orientation. They can rely on the results of market surveys and internal work atmosphere surveys, for example. Without consultant-experts, workers cannot know how they should be developing as new sales workers.

Directing the attention of the actors, establishing roles and changing preferences have now shaped the identity and subjectivity participating in the whole, in a way that enables the dominant facet to be seen as an "obligatory passage point." All actors must pass through these points in order to get what they want. These could be comprised of informational material, or alternatively, a technological operation. For example, a worker needs information produced by evaluation methods in order to know how they have developed toward the ideal of customer-orientation. A worker also needs customer feedback, but that is channeled through various feedback systems and measures taken by the marketing department. Techniques and methods measuring customer-orientation have become an obligatory passage point for the new corporate culture, through which the actors planted and adapted to their roles must pass in order to ensure that their identity is sufficient, and to get a feel of "what's going on."

In this way, an organization is organized, but at the same time, the gradually clarified roles of the actors have created dependency relationships between different parties. This process also has a moment where the representatives of each defined category start to represent the actor-actors, in which case the field can maintain a

level of organization without the active participation of all of its members. For example, negotiations about the importance of customer-orientation in employment systems can be dealt with by having workers represented only by a shop steward chosen by the trade union, or another confidant.

7.3.3. THE RELATIONSHIP BETWEEN THE ORGANIZATION AND THE ENVIRONMENT

One of the core concepts related to the internal ambivalence of organized structures is otherness. This refers to individuals or subcultures that are secondary from the perspective of the central group of actors, but which must nevertheless be joined to the organizational whole, in some way. As described above, the organization process contains the connection of various actor groups and material artefacts as elements of an establishing network or field. The actor-network theory describes this process with the concept of translating the preferences and interests of individuals and actors. This is close to Foucault's idea of productive power, where various actors are enticed to become implementers of the operational program sponsored by the leading coalition, through the shaping of their subjectivity.

However, otherness remains in organized wholes in the form of various difference-making occasions and disruptions. For example, marginalized social groups such as women or ethnic minorities could be considered as stereotypical outsiders, whose selves are analyzed by objectifying the human characteristics of the individuals. A similar kind of exclusion is also apparent in the analysis of the relationship between the internal structure of an organization and its external operating environment. As already stated in the section dealing with the interpretative approach, the difference between the internal and external context of an organization is always a socially construed interpretation about the effect of the environment on the management of an organization. Poststructuralism takes this idea a step further and states that the thought of a boundary between the external and internal world of an organization is a consequence of discursive and practical organization methods, and as such, is wholly dependent on cultural conventions. In other words, the discussion on organizations and their environment requires a previous structure, where the organizational system can be distinguished from its environment – a structure that is no more stable or natural than any other culturally construed discourses.

Cooper (1986, 1997) highlighted the prerequisites and consequences of an organization process based on difference-making and divisions. According to him, the division between the organization's internal and external context is not a prerequisite for the analysis of

organizations; instead, it is the concrete consequence of the organization of knowledge. Division of labor between different parts is possible only when reality has been divided and established in different parts which have their own identities and a special relationship between each other. According to Cooper, organizational studies should not focus so much on the division of labor, than on labor of division, which precedes various structures assumed to be objective. Labor of division is one of the dimensions of organization, where reality is divided into different parts while creating specific operating opportunities and dependencies between different units. Poststructuralist analysis tackles namely this earlier structuring, which creates a basis for that structural reality based on which organizations analyze their own selves in relation to external factors.

In management literature, the insides of an organization are typically considered to be a place where the operations related to rationality, reasoning, and progressiveness are situated, the core issues of modern thinking. The operating environment, in turn, is a place for passive resources or various threats and opportunities. This division is evident in Parson's (1979) systems theory. In this construct, the environment is a kind of a counterpart to the organization's internal operating capabilities, where the objective resources and equipment required by the organizational self are situated. On the other hand, an operating environment would also include other actors or other organizations. In this respect, viewing the environment as an immobile collection of resources and limits or opportunities reduces the role of the external context in relation to the own objectives of other organizations and interest groups. Thus, it might not take into consideration the organization's responsibility for the living conditions of the various facets of the operating environment, as a part of the societal or global community. The transformation of an operating environment into an objective reserve of resources makes it a passive collection of resources, which the organization can take advantage of without the survival of the environment itself becoming an object of a balanced analysis.

One of the cases where this labor of division becomes apparent is related to the role of the ecological environment. Indeed, the natural environment is one of the dimensions of the operating environment. Industrial companies and other organizations often need natural resources for the maintenance of their refining operations. Nearly every organization is dependent on water, air, and other basic natural resources. Furthermore, many organizations produce waste, emissions, and are otherwise a strain on ecological systems. However, as Shrivastava (1995) has stated, perceiving the operating environment of organizations as ecological environments, with which companies have a reciprocal dependency relationship, is comparatively rare in management discourses. The operating environment is

often an involuntary medium for the objectives of an organization, and therefore, it cannot have an independent voice when evaluating the moral consequences of the operations of institutional fields. This has partly led to a situation where organizations are allowed to take advantage of natural resources without organizations taking a responsibility for natural disasters such as climate change that threaten the balance of the ecological system. The deep-rooted idea of organization's own interests ahead of its operating environment has enabled organizations to take advantage of their environment.

Over the recent years, organizational structures have been changing, and consequently, it has become popular to talk about "boundaryless" organizations (e.g., Ulrich, Jick, Kerr, Prahalad, & Bossidy, 2002). As financial and societal operations become more flexible, traditional individual organizations have dispersed into various net-like tapestries, where the boundary between the internal and external context of an organization is changing, and in some cases even completely disappearing. When viewed from the poststructuralist perspective, a boundaryless organization is a conceptual contradiction, because the organization process always requires identities and relationships between various actor groups that shape through labor of division. The organization process also always includes constructing boundaries alongside processing systemic oneness. On the other hand, poststructuralism does not provide any prior model to how the boundaries, differences, and relationships near organizations are formed in a new situation. Replacing bureaucracy with post-bureaucracy simply means investing into another stabilized assemblage (Styhre, 2007). Poststructuralism only states that organization progresses through the construction and establishment of difference-making, labor of division, and operating networks. However, it does not present any particular form that new organizations can assume. The organization of things, people, and material artefacts is primarily an open process, which can lead to any kind of social and cultural form.

7.4. Summary and Discussion

The postmodern approach has provided yet another challenge for the development of organizational theory. It has challenged organizational and management studies on a more profound, (post-) philosophical level as compared to the previous paradigmatic changes. The postmodern approach questions the core assumptions of organizational science, regarding the neutrality of information, the rationality of the organizational world, and the grand narratives of liberalization, progress, and revolution. It positions organizational studies clearly within the societal and theoretical framework of the

modern era. In this way, it also shows the limits of organizational and management studies within the contemporary historical and information-political context.

It is fair to say that postmodernism has had a deeply disruptive impact on the way in which traditional social philosophy and social sciences are understood, practiced, and evaluated. The appearance of poststructuralist interrogations in particular has confused the established traditions in philosophy and social theory. It is telling that Foucault and Derrida have been blamed both as being conservative on issues of hegemony and resistance by the traditional Left (Habermas, 1984), and as being too radical in their deconstruction of metaphysical foundations of science and rationality by the analytical and pragmatist thinkers (e.g., Rorty, 1978). Similarly, within organization theory, poststructuralists has been accused of neglecting human agency (e.g., Newton, 1998) and for downplaying the normative basis for alternative political models (e.g., Ackroyd, 1993; Thompson & Ackroyd, 1995; Whittle & Spicer, 2008), while at the same time their contribution to critical thought has been used extensively to refine a critical approach to organizational research (e.g., Knights, 1992, 1997).

Derrida and Foucault construct their projects from heterogenous philosophical streams. While the antihumanism of structuralist linguistics of Saussure is a central gateway to the analysis of the inherent relationality of the fields of subjectivity and objectivity, there are other more fundamental influences with which poststructuralists aim to critically engage with the modern metaphysics. The affinity of Derrida's deconstructive project to the concept of "Destruktion" located within the historical ontology of Being of Martin Heidegger (Sallis, 1987) as well as Foucault's direct borrowing of Nietzsche's idea of genealogy as an alternative to the traditional historiography (Foucault, 1984) signal the direct debt these thinkers have for the antimetaphysical strands in German thought.

Both Nietzsche and Heidegger were in their work reflecting the modern world that was parting ways with the metaphysical outlook inherited from Plato and gradually being dismantled by the nascent critiques of Kant and other Enlightenment thinkers. They attempted to clarify the consequences for Western thinking and way of life of the completion of the modern move to post-metaphysical existence (cf. Scott, 1996). This involves a genealogical redescription of the violence and self-elimination that has gone with the birth of the classical moral self of Christianity and, later, of scientific rationality (Nietzsche, 2010), as well as the rigorous historization of the human condition as immanent to and embedded into the nexus of contemporary practices and ways of life (Heidegger, 1996). The more accurate articulation of the post-metaphysical existence, however, was accompanied for Nietzsche and Heidegger with a related concern

over the dangers of nihilism as the earlier foundations for moral values were being replaced with a modern scientific and immanentized worldview. Stripped of the traditional Christian notions of divinity and the humanistic ideals of morally rational self, humankind would be heading toward ethical relativity and disintegration of the civilizational order. It is this deeper sense of the modern condition as the full affirmation of the contingency and relativity manifesting itself in the contemporary technologized and industrial culture, and penetrating all forms of human existence, that prompted Nietzsche and Heidegger to think about counterforces to the approaching state of nihilism. The rescuing of the moral existence could not, however, be found from a return to the metaphysical traditions. There is no escape from the modern condition to a romantic past of transcendental ideals and solid foundations.

Instead, the rescue of moral sensitivities from the modern condition should be crafted through a reworking of the relationship of living persons to the post-metaphysical matrix of our age. For Nietzsche, this would eventually take the form of Overman, the artistically creative human being that embarks on a Dinonysian stylization of themselves to attain a higher mode of being that than offered by the flattened modern landscape. The Overman uses the potential of his or her vitalistic powers to break from the modern fold and to affirm an artistic and aristocratic approach to life. Heidegger, in turn, envisioned a return past the Greek origin of metaphysics, to the pre-Socratic openness to the primordial forms of authentic Being that would enable a more authentic positioning of the humans in relation to their natural and cultural context than that of the modern detachment. In his later writings, Heidegger turns to images of mysticism to claim that the authentic union with Being can only be attained by patient waiting and the spiritual emptying of the worldly empowerment of the lived self. Like Nietzsche, he was searching for possibilities of keeping the vast potentialities of the absent pre-ontological realm open to the humans thrown into their immanent sociohistorical contexts, leading to the idea of a kind of "secularized sacred" or "nontranscendent transcendent" as the resource to be tapped into in order to avoid the dangers of post-metaphysical nihilism (Caputo, 1986; Wheeler, 2015).

In their translation of the philosophies of Nietzsche and Heidegger (Schrift, 1995), the poststructuralists were hesitant to follow into the ideas of Overman and mystic union with the Being. The poststructuralist thinkers were influenced by the radical movements and protest events of 1968 and how they failed to achieve enduring change in societal relations and the bourgeois climate of the Western countries. Their original position was inherited from the French intellectual milieu that was pregnant with culturalist readings of Marxism (e.g., Kojève, 1980) and the existential writings

of Sartre (Florence, 1994). Their critical take on the German thinkers was filtered through the broadly leftist intentions of crafting a post-metaphysical stance to critically expose and combat with the capitalist ideology that had permeated not only the over structures of production but also the more invisible domains of human subjectivity and political agency. As, for example, Ingram (1994) notes, this lands them in a position reminiscent of the project of Critical Theory and Habermas, namely a critical exposition of the social and cultural formations that shape human consciousness into a historically specific subject that becomes restricted in his practical potential to resist and subvert modern capitalist hegemony. But unlike Critical Theory, poststructuralism was motivated to avoid the articulation of *a priori* rational or communicative reason that would be capable of challenging the contemporary ideologies and power structures. This critical reason, they argue, is the product of a particular sociohistorical assemblage we are always already thrown into and hence, the postulation of critical rationality or communicative competence cannot be used to ground emancipatory politics (Hoy, 1998). On the other hand, it is equally obvious why poststructuralists eschew the primordial and vitalistic alternatives offered by Heidegger and Nietzsche, as they can be too easily appropriated to imply a political philosophy giving rise to nondemocratic and conservative forms legitimated on the ideas of archaic romanticism or essentialized nationalism. The revelations of Heidegger's involvement with the Nazi regime seem to have confirmed the fears that post-metaphysical philosophy could lead to appreciation of authoritarianism fascism (e.g., Faye, 2009).

However, refusing both the Nietzschean/Heideggerian affirmation of the primordial and noble modes of existence and the critical theory rescuing of the Enlightenment/Marx subject of reason, poststructuralists were moving into an apparent impasse regarding the political implications of their immanentized scrutinization of the limit of modern formations and texts. Their project seems to be content with intensifying and accelerating the modern discourses through genealogical and deconstructive analyses so that the hold of any transcendental grounds or referents is vanished in the favor of the appearance of new paradigms and sociocultural assemblages. This ascetic escape from the grip of modern metaphysics is the best one can hope when engaging critically with the contemporary institutional orders and intellectual discourses. The rest is beyond the reach of any thinker. The critical element was understood, for example, by Foucault (1984) as a non-transcendental version of the Kant's critical philosophy of exposing the limits of reason in the contemporary modes of knowledge, action, and sociality through analysis of the phenomenal conditions of the concurrent forms of human intelligibility.

Organization theory inherited this complex positioning of poststructuralism vis-à-vis critical reason. On one hand, the radical historicism and the refusal of representational epistemology evident in poststructuralist thought resonated with the project of Marx as it was being played out in labor process theory, critical realism (Marsden, 1993), and also in critical theory. Poststructuralism was the latest in the series of attacks on atomistic ontology and idealistic theory of knowledge emanating from Marx and being given impetus by Nietzsche, Weber, and Heidegger. In this sense, it was easy to appropriate poststructuralism as a critical interrogation of modernity and its manifestations in organizational practice and theory that fitted into the broad program of neo-Marxism and what was becoming the Critical Management Studies (Alvesson & Deetz, 1996; Willmot & Alvesson, 1992).

On the other hand, the refusal of poststructuralists to find sources of critical reason and emancipatory potential from outside of the here-and-now of the contemporary nexus of relations and cultural *a priori* introduced a challenge to critical organization theory that was keen to provide some normative ground for political agency. While critical theory after Habermas had given up hope of locating this agency in the consciousness of the proletariat or other oppressed groups, it was nevertheless actively seeking to define and construct some space for an uncontaminated reason in the situated interactions and linguistic happenings that could rescue its post-foundational critique from postmodern nihilism (e.g., Holmer-Nadesan, 1996).

One of the latest attempts to avoid postmodern nihilism or playfulness is the call for "critical performativity" by Spicer et al. (2009). The idea of critical performativity takes its cue from speech act theory, articulating a range of situated methods with which management scholars can make emancipatory difference in their ongoing reciprocal constitution of the world of organizations. This idea combines the Habermasian (1984) focus on language and interaction as sites for construction of the political with the earlier critical theory insistence on using theory as a form of actionable praxis that potentially transforms the social domains toward a more critically reflective attitude of sociality. Yet this type of critical sensitivity to the practice of discourse and inquiry moves the discussion on politically transformative or transgressive action away from the strictly historicist understanding of the immanence of the contemporary cultural *a priori* that is the central concern of poststructuralists. The image of a critically performative organization scholar tends to echo more the classical questions of action research and clinical interventions into organizational practices and sense-making processes rather than a rigorous affirmation of the historically specific context and its constellation of presences and absences

into which are thrown into and from within which any post-metaphysical inquiry must make its diagnosis of the current rationalized condition (Hoy, 1998).

In the background, there is a genealogy of critical organization theory inherited from the Frankfurt School where Weberian analysis of rationalization is taken into the Marxist framework of understanding the modern malaise as the result of the incapacity of the subject of technologized and bureaucratized modernity to tap into the antithetical consciousness in order to overcome the contradictions of the advanced capitalist society (Held, 1980). Weber is here not taken as a Nietzschean philosopher entrapped into the post-metaphysical loss of values, but primarily as a critical social historian explaining the loss of the potential for revolutionary consciousness with the flattening of the modern culture in it sociological manifestations, most notably in the rise of bureaucratic rationality of formal organizations and public action, and in this-worldly appreciation of economic wealth as a sign of grace. Poststructuralists, instead, see the exclusions and marginalizations of workers, women, third world citizens, etc. as the exemplars of the more general drive of the modern metaphysical regimes to erect a rational subject of scientific and moral reason in a fashion that denies the inherent absences and relational entanglements that precede the setting and presenting of the self-contained, autonomous self. While there is a more apparent readiness in the French postmodernism to make links between the price to paid for the setting up of the modern Cartesian subject with the traditional concerns of critical Marxism with the underclass, the tradition emanating from Nietzsche and Heidegger more clearly approaches the problems of the modern condition as the consequence of the inadequate understanding of the unescapable throwness and radical historicism of the post-metaphysical selves. Rationalization *á la* Weber is the name for the generalized trajectory that has enclosed subjects into a radically immanent world to which the analyst is also caught up, without an easy way out as to articulate a normative basis for transgressive political action.

For poststructuralists, critical theory fails by refusing to accept the consequences of the death of God and associated metaphysical absolutes that lead to the acknowledgment of the irreversible throwness into the immanent relations and discourses of sociality (cf. Barratt, 2003). As poststructuralists see it, critical neo-Marxism is not logical in its insistence on a privileged position outside of the contemporary cultural *a priori*. At the same time, it uses this exterior to articulate a subject of critical reason, who, even though appearing in a more modest form as in Habermas' discourse ethics, is required to place a bet for the possibility of situated emancipation and the existence of the faculty of critical reflection. As Foucault pointed out

in the debate with Chomsky (Chomsky & Foucault, 2006), the concept of "justice," for example (cf. Rawls, 2009), should be seen as immanent to the modern context of class struggle rather than idealized as a neutral signifier stripped of its relation to its actual use in the will of power of the underclasses. Class society produces the possibility of the potent of the idea of justice. "Critical performativity," then, can only emerge from the ongoing struggles to reclaim some space for critical perspectives in organizational theory and practice as taking place in the landscape shaped by postfunctionalism and post-objectivism. That is, it cannot be legitimated as something that comes from outside of – and is capable of – breaking the contemporary conditions, such as, say, the struggle between neoliberal market ideology and the survival of Marxist and sociological communities within business school management studies field. That is not to say that critical performativity is merely an illusion or arbitrary tool for power tactics. What a poststructuralist reading would suggest is that claiming a concept or form of practice cannot be legitimated by it having a standing outside of the parameters of the contemporary cultural *a priori*. In the Foucauldian-Nietzschean language, it is always a device for will to power, and as such, immanent to and circumscribed within the here-and-now relations and nexuses of sociality (Bardon & Josserand, 2011).

While critical theory has been reluctant to move to a fully post-metaphysical space, there are other social theorists who have been working to provide some sort of agency to the impasse of poststructuralism. One of them is Rorty (1979), whose recovery of American pragmatism is a major attempt to offer some hope for democratic progress in the midst of the collapse of the metanarratives. Rorty follows Derrida and Foucault in stating that since modernity has completed itself in the cleansing of the metaphysical absolutes, there is no return to traditional sources of moral or political action. For him, however, the pragmatist tradition, especially the work of Dewey, stands as an opportunity to introduce a type of non-foundational agency that avoids both subjectivist aestheticization and pre-Socratic archaism encountered in Nietzsche's and Heidegger's thinking.

Kelemen (2007), Kelemen and Rumens (2008) have recently suggested that Dewey's classical pragmatism could serve as an alternative for critical organization scholarship. The pragmatist maxim that views knowledge as a social process and pursues an agenda centered on the experience of situated practices is taken by Dewey to a direction of democratic communities that study and solve local organizational problems reflexively. These "communities of inquiry" are products of a social process of research that transcend the conventional dichotomies of scholar and practitioner and subject and object. Much of this type of approach materializes in a distinct

form of ethnographic study that blends critical theories with community building around organizational issues at hand. Kelemen's pragmatist take echoes the line of inquiry adapted in participative action research and also to some extent with the communities of practice (Brown & Duguid, 1991) approach. Her turn to classical pragmatism, however, eschews the Rortyan acknowledgment of the death of metaphysical exteriors, sustaining, instead, with Dewey a residual notion of an uncontaminated reflective rationality evident in the transcendent capability to evaluate the immanent experiences with an eye on adjusting the beliefs guiding subsequent performances of individual and collective action as an element of the democratic evolution of the humankind (Festenstein, 2014; Friedman, 2011).

An alternative route to postulate a minimal but workable political agency within the confines of the contemporary post-metaphysical existence can be found from Arendt's (2009) work. Arendt attempted to articulate the possibilities for a faculty of judgment taking shape not as a Nietzschean-Foucauldian privatized self-stylization practice, but as a public exercise of a generalized critical aesthetics endorsed by Kant in his third critique (Villa, 1992). Arendt was working in the footsteps of Heidegger, trying to translate the implications of the modern condition of Being to the language of political theory and at the same time, pushing toward a more viable understanding of the alternative to the danger of post-metaphysical nihilism and alienation that found in Heidegger's return to pre-Socratic archaism. Arendt's creative solution was to read Kant's third critique separately from his transcendental project professed in the critiques of theoretical and practical reason. The aesthetics of vita contemplative rests on the idea that the subject can craft an aesthetic readiness for sensible moral judgments by absorbing a plurality of different reflections into a synthetic standpoint representing a "taste of tastes" for critically engaging with the irrationalities of modern scientific and bureaucratic regimes. Arendt's generalized aesthetics of judgment has affinities with Heidegger's postulation of "thinking" (Minnich, 2003) as critical activity penetrating into and deconstructing the seeming stability of social and cultural assemblages.

Poststructuralism's struggle with the subject of freedom notwithstanding, the broader postmodern movement could be characterized as being captivated with cultural openness and play of appearances, manifested, for example, by the elevation of pop culture motifs into the same league with more "serious" art. Postmodernism coincided with the gradual relaxing of the Cold War tensions in the 1980s as well as with the extension of the consumerist culture into Europe, and, later, in the 1990s into Russia and China and other emerging economies. For a while, it seemed as if the grand narratives of progress and emancipation had come to their completion, as Fukuyama (1989, 1992) declared in his 1989 essay. Historical dialectics had

reached the ultimate synthesis in the form of liberal market economy and consumerist individuality. However, while the market model continued to colonize new areas of life, the global community demonstrated continued to show signs of ruptures and division. The clash of civilizations propagated by Huntington (1996) soon played itself out in the emergence of fundamental Islam and the ensuing terrorism culminating in the 9/11 attacks. The cleft between the materialized West and the spiritualizing Muslim East reminded of the enduring cultural differences piercing though the assumed unity of the globalized economy. Later, the 2008 financial crisis and the subsequent global recession prompted a reexamination of the adequacy of neoliberal ideology in explaining and morally supporting workable societal economy. Furthermore, European Debt Crisis, Arab Spring revolutionary movements, and the Russian military violence in Ukraine fueled in the 2010s fears of a more endemic global instability and uncertainty. The traditional Left was largely incapable of responding to the crisis of capitalism with a credible socialist alternative, making room instead for different sorts of populist forces across European and North American political spheres. The post-metaphysical philosophy had reached a point in which it has more directly started to crave after resources and values with which to ground some hope for a better future of societies and institutions. One indication of this type of turn to the "higher small narratives" is Heideggerian (postmodern) hermeneutician Vattimo's (2002) turn to post-metaphysical God. According to Vattimo, the turn away from modern metaphysics means that there is no necessity to approach religion from the perspective of the theism/atheism duality as neither can be grounded on stable referents. The loss of modern metaphysics enables one to relieve from the burden of proof or ontological certainty, thus opening up a possibility to "believe to believe" to the God enacted in the religious scripture and upheld in the historically changing practices of the spiritual community. Christianity for Vattimo is the original model for building a community of reciprocal love and morality without any proof of the underlying legitimating truth. Another example comes from Habermas' (2008) later work, where he embarks on a surprising journey into the possibilities of a de-transcendentalized religion in preparing a critically reflective capacity to act purposefully in the public domain. According to Habermas, in an increasingly plural and "post-secular" society, religious vocabularies and motives can provide a stark context for pursuing moral reason in the communicative social sphere. Given the growing interest in workplace spirituality (e.g., Benefiel, Fry, & Geigle, 2014) and the recent commentaries from the leading post-metaphysical theorists, one can envision interesting synergies between the rise of immanent religious and spiritual lifeworlds in organizations and the quest for reintroducing medium for critical

and moral reason within the nihilistic setting of our contemporary consumerist-materialist and technologized existence. Having thus completed the philosophical journey from Kant via Marx/Hegel, Husserl, and Nietzsche/Heidegger to French poststructuralism, and, eventually, to a return to the culture of spiritual practices reminiscent of the Greek *theoria* (Hadot, 1995; Nightingale, 2004; cf. Foucault, 1986), it is time to take stock and evaluate how organization theory has appropriated the multiplicity of paradigms and the recent shift to affirmative postmodernity.

CHAPTER

8 Conclusions and Discussion

From its early roots, organizational theory has developed into the contemporary multi-faceted branch of social sciences. At the same time, taking a holistic overview of the entire field of organizational theory has become more challenging than ever before. As the dominance of structural functionalism and positivism collapsed, researchers aimed to describe the new versatility of this field using the devices such as paradigms (Burrell & Morgan, 1979), metaphors (Morgan, 1997), or discussions (Deetz, 1996; Hatch, 1997; Reed, 2006). One of the more ambitious attempts to appear latterly was *Handbook of Organization Studies* (Clegg, Hardy, & Nord, 1996), whose purpose was to present the current condition of the field in the light of the understanding offered by new paradigms. However, as we are in the middle of the second decade of the 21st century, this change seems to be on-going in a way that makes the construction of an overall picture even more complicated. The textbooks and collections intended to be the new "Grand Narratives" of organizational theory have often had to be updated already after ten years, as research discussions had proceeded into previously uncharted conceptual and philosophical areas (Clegg, Curpasson, & Phillips, 2006; Hatch & Cunliffe, 2006). In a sense, following the development of new approaches creates its own professional challenge for management researchers working on organizational theory (cf. Barry & Hansen, 2008), reflected in the recent flood of a series of narrowly targeted handbooks (Alvesson, Bridgman & Willmott, 2011; Prasad et al., 2015). Organization theory is moving forward at a rapid pace.

8.1. The Rereading of Classics

In addition to sailing toward uncharted waters, researchers of organization have recently been interested in the rereading and analysis of the classic texts of this field, as a part of a wider understanding of the course of the history of this subject. There have been close readings of Taylor's, Fayol's and other writers' works (Kilduff, 1993; O'Connor, 1996), and researchers have tried to position early organizational theories more carefully within the societal, economic, and ideological connections of their time, in order to get a deeper understanding of the birth environment of the theoretical ideas of the early stage (Adler, 2009b; O'Connor, 1999a, 1999b; Shenhav, 1999). In general, the interest in organizational theory's methods for relying upon and applying the classic schools of sociology and philosophy can be considered to be one of the contemporary ways with which this field has tried to search for its identity among other social sciences. A good example about the critical specification of these arguments is provided in the book *Oxford Handbook of Sociology and Organization Studies* (Adler, 2009c), which analyses a large group of sociology classics and their use in organizational theory.

According to Adler (2009a), the return to classics is important, because while organizational studies have expanded to new perspectives and discussions, the field has become increasingly introverted. Organizational theory is open to paradigmatic shifts occurring in other fields, but it does not have an actual dialogue with more established fields of science, including the contemporary contributions of sociology, psychology, or political science. Even though Weber, Durkheim, Parsons, and Marx, for example, have been the core influence of the construction of views related to organizations, publications rarely refer to original sources. Instead, researchers create a kind of an internal hegemony within organizational theory, by referring in their publications mainly to the scholars who are influential within the field.

Adler's observation is supported by the analysis within this book regarding the figures influential in the development of organizational theory. A majority of those who inspired the emergence of new paradigms within the course of historical development of the field came from outside organizational science, and also disappeared relatively quickly after having made a contribution, to focus on to other discussions. For example, Taylor and Fayol never considered themselves to be theorists, but rather as developers of practical management studies. Mayo was originally a political philosopher, and his later (Mayo, 1949) books returned to the more general issues around modernity and the human condition. Barnard, in turn, continued his career first in public service and later in research

administration. On the other hand, Simon, for example, after the writings from 1940s and 1950s, turned to something other than the development of actual organizational theory. His professorship at Carnegie was in the field of psychology until the very end, and his subsequent contributions took him into the questions concerning cognition and artificial intelligence (Simon, 1996), and economic theory (Simon, 1976c). Silverman, as well, continued his career outside of organizational studies after the book he published in 1970. His main areas of interest later became research on the sociology of health, and the application of ethnomethodological conversation analysis to social analysis (Silverman, 1998).

Contrary to the former names, many of the pioneers of critical and postmodern theory continued work with organizations and management. For example, the core European researchers from the critical movement, Knights and Willmott, have an influence as professors of business schools, even though their work includes a dialogue with theoretical trends in sociology of work (Knights & Jones, 2007; O'Doherty & Willmott, 2009). The expansion of management science, and the breaking of the functionalist systems theory have provided new opportunities for post-positivist research. However, the recent border-crossings have been an exception in the formula where one-way influences have come from the outside of the organization-theoretical community into the conceptual conversation on organization.

In addition to the classics who had an influence on organizational theory, there is a group of other mainstays of social sciences whose contribution has not been fully used yet. Indeed, Jones and Munro (2005) make a distinction between those theorists who are directly organizational theorists, and those, who have indirectly influenced the development of this field. In the first group, we can include the most important names of the field, such as Burrell, Calas, Smirchich, Clegg, Knights, Willmott, Cooper, Alvesson, Czarniawska, and Weick. The second category is composed of social scientists, whose own work has been about organizations. These include, for example, Bauman, Luhmann, and Latour. Jones and Munro (2005) refer to the latter as "theorists of organizations." The third group includes those who are distantly related to the field, whose production has helped organizational theorists to conceptualize organizations and the organization process in a new way. This group includes critical thinkers such as Deleuze, Guattari, Foucault, Agamben, Butler, and Zizek. They are "theorists who can offer concepts for understanding the organization process." Jones and Munro acknowledge that in many cases, it is difficult to decide which thinker belongs to which category. It is particularly difficult to position sociologists into the above-mentioned categories, if they have not been in direct contact with

the core community of organizational theory. For example, Bruno Latour, the main developer of the actor-network theory, has not really tried to include his ideas within the sphere of organizational theory, but on the other hand, his colleague John Law has contributed significantly to the development of postmodern organization theory (Cooper & Law, 1995; Law, 1994). Law's interest in organizational theory arose from physical proximity: in the 1990s, Law worked at Keele University, which at the same time had a significant research community involved with post-structuralist and sociological organizational theory. Collaboration with Cooper, Munro, Hassard, and others is a legacy of this academic connection. It can be said that a considerable amount of those thinkers who have inspired new paradigms and theoretical discussions are either completely outside of the community of organizational researchers influential within management and business schools, or loosely connected through social networks to ongoing debates within organizational theory.

8.2. The Importance of the Work of Weber

In the history of organizational theory, it is possible to find a figure whose shadow extends throughout the entire time-span of this field, up to the modern day. This figure is Max Weber. Throughout decades, Weber's versatile scientific output related to society, economy, and culture, has been an exceptionally colorful inspiration for organizational theory (Clegg, 1994; Clegg & Loundsbury, 2009). What was essential to the development of the entire field was the notion of rational bureaucracy, which became a kind of an early theoretical model of the structure of a formal organization in the earliest formulations. After this, his influence can be discovered in various connections. In the cultural modern, Weber is considered to be, above all, the developer of the theory of social action, as introduced by Parsons (1937). On the other hand, the discussions on the cultural modern highlighted the ideal-type nature of Weber's description of bureaucracy. The empirical studies of the Columbia school tried to enliven the abstract theory presented by Weber, by researching the formation and influence of bureaucratic rules and structures in relation to various situational development paths and social environments (Gouldner, 1954). On the other hand, within the rational modern framework, Weber's theory of bureaucracy was considered to be one variation of organization formats, to which a flexible, or so-called organic format was added. Mechanistic bureaucracy and organic flexibility were alternative organization formats, which blossomed when an organization adapted to the requirements

Table 8.1. Various Interpretations of the Significance of Max Weber's Work in Organizational Theory.

Classical theory	Weber as the first organizational theorist, the presenter of the model of bureaucracy
Cultural modern theory	Weber as the describer of an ideal-type bureaucracy, and the developer of the sociology of operations
Rational modern theory	Weber as the describer of the mechanist form of organization
Interpretative theory	Weber as the pioneer of interpretative sociology
Critical theory	Weber as an alternative critical theorist, describer of instrumental rationality
Postmodern theory	Weber as a skeptic of the rising modernity, "the first postmodernist"

set by its operating environment (Burns & Stalker, 1961). In the interpretative approach, in turn, Weber was understood as a classic of social sciences. This time, the focus of attention did not lie in his vision of the role of bureaucracy in the formalized organizations, but the influence of the interpretative or Verstehen approach to the development of an interpretative human science. Weber was the pioneer of the interpretative approach (Silverman, 1970). Critical theory, in turn, valued him as a sharp-eyed describer of the emergence of instrumental reason, an integral part of modern capitalism. Inherited from the Frankfurt School of Critical Theory's appropriations, Weber's approach as the sharp-eyed critic of the industrial society made him one of the two background influences of this field, in addition to Marx (Adler, Forbes, & Willmott, 2007). Finally, the postmodern approach rediscovered Weber as it tried to outline the maturing of the modern thought to the late or the postmodern (Clegg, 1994). Weber was seen more clearly as a thinker who described the transition between the traditional and the modern and the associated "disenchantment" of human reality, whose analyses, reversely, could also be applicable for understanding the signs and manifestations of the transition between the modern and postmodern culture (Table 8.1).

8.3. From Weber to Sorokin

However, even Weber's view on the rise of modernity is located mainly within the dynamics of the emergence of industrial corporations and bureaucratic rationality in the 19th century. Weber's commentary is part of the shift from traditional forms to modern

rationality. To stretch the historical vision of organizational models and theoretical paradigms, it might be useful to visit the work another classical sociologist, Pitirim Sorokin (1962). Sorokin's legacy is hampered by the wide influence of Talcott Parsons who was his successor as the head of the social science department at Harvard University (Zafirovski, 2001). Sorokin developed an early sociological theory based on social and philosophical cycles that was markedly different from the structural-functionalist approach developed by Parsons (1937). At the heart of Sorokin's view was the assumption that social existence in theory and practice can take two major forms: thinking can orient toward transcendental ideas and spiritual wisdoms, or, alternatively, toward the appreciation of the material conditions accessible through empirical observation. Sorokin (1962) called the former an Ideational mentality whereas the latter followed what he referred to as a Sensate approach. In a typical Ideational culture, attention is focused on spiritual and moral values that lead to a limited role of science and technology in the structuring of societies and organizations. Economic life is guided by the religious norms and morals that harness the utilitarian motives and the accumulation of material wealth. In Sensate culture, instead, knowledge based on empirical observation and the role of technology take a leading role in the development of social life. Economy assumes a central position in the conditioning of human life by offering opportunities for improving material wealth, hedonistic lifestyle, and freedom from the limitations of nature and traditional morality.

In addition to the Ideational and Sensate cultures, Sorokin (1962, 1942) identified a third form – Integral culture – that occupies a middle ground between the spiritual and materialist opposites. In Integral culture, the wisdoms of transcendental and spiritual ideas co-exist with the appreciation of the noblest aspects of sensory reality. There is an enlightened synthesis of the two mentalities that aims at importing the metaphysical wisdoms and the input from the higher reality to the everyday life of our material and temporal world. Integral cultures do not deny the existence of sensory reality and the associated questions related to understanding and changing that reality, but try to endow it with the type of reason that can be found from the supposed eternal wisdoms of the transcendental truths and revelations.

Sorokin (1962) tracked in his studies the historical succession of the Idealist and Sensate periods in cultures and societies. The classical Greek civilization emerged from an Ideational background to assume an Integral mentality that combined search for divine wisdoms with the appreciation of the dynamics of the material and temporal reality. This period produced the high cultures of the Greek city-states as well as the first philosophies of Plato and Aristotle.

Classical Greek civilization then gradually turned into the Sensate culture of the Roman-Hellenistic society that ultimately lead to increased hedonism and finally to the demise of the Roman Empire. Middle Age saw a sharp transformation toward an Ideational culture dominated by austere Catholic faith and the dominance of the issues related to the other-worldly theme such as the death, purgatory, and the salvation of the soul. From the 13th century onwards, the transcendental culture of the Middle Age started to change. Thomas Aquinas opened a new view on reality within the Catholic frame by introducing a synthesis of Christian and Aristotelian philosophies. Martin Luther revolted against the authority of the Catholic Church by returning to the teachings of another classical thinker: St Augustine of Hippo. In Italy, a cultural movement emphasizing new kind of realism in representations of reality as well as in social and political relation gathered pace during the 15th century. Renaissance paved way for the birth of modern experimental science as well as to the social institutions of modern market economy and the political system built on competing nation-states. According to Sorokin, the late Middle Ages and the early modernity of the Renaissance mentality were mainly located within the Integralist mode with their understanding of the necessity of a synthesis between divine and eternal wisdoms and the emerging mastery and knowledge of the material reality.

However, from the 16th century onwards, the development of modernity abandoned the Idealist heritage of humanist Renaissance and post-scholastic philosophy, and started to turn ever more toward a Sensate mentality. The introduction of a new field of natural sciences based on empirical observations and the discovery of laws of the nature led by Galileo Galilei, Francis Bacon, and Isaac Newton replaced the earlier "natural philosophy" that had so far followed the metaphysical tradition of Plato and Aristotle and other Integral thinkers. In social and political thinking, the realism of Niccolo Machiavelli and the rationalism of Descartes and Kant pave way to a new type of philosophy of the social, where the intentions and perceptions of the human individual occupy the center stage. According to Sorokin, the Sensate period that begun in the 17th and 18th centuries, still dominates the civilizations of the 20th and 21st century, informing the ever expanding influence of empiricist science, and the associated charm of scientific technology and instrumental rationality as well as the drive toward material well-being and economic wealth.

There are several affinities between Sorokin's and Weber's approach to modernity. Both see the turning of Renaissance classicism into Protestant rationalism and empiricist scientism as the key moment in the emergence of high modernity. The earlier appreciation of the suprasensory and immaterial sources of intelligence is

replaced by the exclusive focus on this-worldly dynamics and action. Secondly, they both share a broadly culturalist interrogation of the unfolding of modernity and thus depart from for example more Marxist interpretations that highlight the structural and material conditions behind the appearance of modern institutions of corporate industrialism and rational bureaucracy. Yet there are also clear differences. Sorokin is more explicit about the epistemological, metaphysical, and moral underpinnings of modernity and its predecessors, and also aims to demonstrate the shifting mentalities by way of empirical study of trends in philosophy, politics, religion, and art. He is also capable of providing a vision of the future of modern materialism that is different from Weber's rather gloomy image of the modern rationality advancing with an unstoppable force to the unforeseen future.

While in Weber's treatment, we all are trapped in the "iron cage" of the omnipresent rationality of high modernity, Sorokin (1942) bases his prophecy of the future of modernity into a cyclical view where cultural mentalities inevitably mature, decline, and disappear in favor of alternative worldviews. However, as the Ideational and Sensate mentalities represent for Sorokin the ultimate binary extremes of the universal continuum of human existence, it is probable that any cultural mode is followed by its other, or the blended version of Integralism. So, Sensate culture will at some point decline and become replaced by an Ideational or Integral worldview.

Sorokin's historical-cyclical theory has been largely forgotten (Jeffries, 2005). Yet it could help to understand the long waves of various cultural mentalities in the Western world that have affected both theory and practice of social organizations and managing in the history of main civilizations. In particular, Sorokin's approach reminds us that the current epoch of scientific and material worldview is not unparalleled in the human history. Although there have been attempts to challenge the assumptions of modern economic utilitarianism and empiricist science, there efforts have not so far succeeded in overturning the basic sensate orientation of the Western culture and its organizational life. Critical management studies is also largely committed to the materialist and scientist understanding of reality that it has inherited from its Marxist legacy of emphasizing the structural conditions and the historicity of social and organizational life. Modern social philosophy since Kant has mainly concentrated on wrestling with the notion of the culturally embedded subject of knowledge and the relationships between this cognitively transcendental subject and the objective reality. The uniting question, then, for all the social and organization theory since Kant has been how to approach the inherent limitations of human perception and understanding and whether to emphasize the epistemological problem of the nature and operation of *a priori* categories

of interpretation and practical moral action (as in phenomenology or in Parsonian normative theory), to prioritize the ontologies of the social (as in Marxist or systems thinking), or to understand both the subject and the object as outcomes of prior ordering processes (as in Foucault and Heidegger). The human subject and the social ontology of systems, structures, and relations together frame the legitimate space for general organization theory.

While there is a deep background of Weberian thought implicitly present in much of the development of organization theory, alternatives for modern social philosophy cannot be crafted with the help of Weber alone. It is here that Sorokin's cyclical scheme could provide assistance to Weber's engagement with modern organizational rationality. It is the type of balanced culture found in Renaissance or in Greek classicism that is lacking in today's theoretical approaches. While there have been attempts to go beyond the crude empiricism of the positive social science and the blatant utilitarianism of mainstream economics, these projects have mainly addressed the human or social-ontologial transcendentals instead of tapping into a more metaphysically informed notions of supra-human or supra-social sources of reason and meaning.

A shift into Integralist theorizing would involve a profound turn in the guiding assumptions about social and organizational reality. The Platonist and Neo-Platonist philosophies (Remes, 2014), informing much of the Greek and Renaissance thinking of the blossoming Integral epochs for example view the human and empirical reality as an emanation of the deeper level of intelligence and divine reason. This unashamedly metaphysical perspective understands the level of eternal Forms and the godly One as the most fundamental aspects of reality, from where general and human reason as well as various aspects of material and social reality "emanate" as second-order actualizations or incarnations. It is this more fundamental metaphysical reality that endows human mind and body with reason and harmony. Thus it is part of the nature of the "lower" emanations like humans to crave back to a more immanent contact with the Forms and the One that represent in a fuller way the logic of meaning and intelligence inscribed into human and social mind-body, in a fashion akin to Plato's (1993) ascent from the Cave.

Of course there are other viable philosophies to be introduced as examples of an Integralist approach to reality. The main argument is that while Weber opened for organization theory the question of how to understand, cope with, and resist the apparatus of modern rationality, it may be a time to take some distance from the modernist assumptions as shared by most of the post-Enlightenment philosophy and social theory, and to start envisioning new alternatives that could be offered as vehicles for intellectual and social change. The idea of a metaphysically "spirited" theory of organizations offers

a radical alternative to the prevailing hegemony of modernist theories, and also paves way to a new kind of epistemological and ethical practice in social and organizational life. This could be seen as entailing a return to the early culture of philosophy as a cultural-spiritual practice that was meant to not only to advance understanding but also to make the theorist to engage with fundamental metaphysical truths that were to transform him or her as a result of the encounter with the hidden wisdoms of the divine forms (Hadot, 1995; Nightingale, 2005).

8.4. CMS and the Possibility of a New Eschatology in Organization Theory

What can critical social theory and CMS contribute to regaining the kind of balance that was lost as modernity took pace and annulled philosophies taking into account the role of the transcendental? At a first glance, Marxism with its steadfast materialism and historicity provides little support for the turn to Sorokin's integralism. For Marx (1841), Christianity had originally been in social terms a liberating movement fighting against the oppression of the underclass and the colonized. However, it had not been successful in turning its full attention to the immanent world, instead waiting for the second coming of the Christ as the actualization of the divine transcendence. According to Marx, proletariat needs a more this-worldly project of self-realization and revolutionary spirit, and hence, there is no place for the kind of "cowardice" exhibited by Christianity. In this note, Marx comes close to Nietzsche, who also criticized Christianity as playing down the transgressive potentials of the human animal. Yet while Nietzsche understood that the fully secularized, post-metaphysical world could not offer viable alternative values for moral order, Marx was decisive that the way toward "heaven on Earth" goes through the raising of the consciousness of the proletariat. Marx's immanentist religion comes out as the maxim in which "… man is the highest essence for man" and thus all inhuman or alienating relations must be overthrown, whereas the religious search for the other-worldly is a fantasy "in which we can only find ourselves" (Marx, 1841, p. 50).

Marx's anthropocentrism and material dialectical view of society are diagonally opposed to any attempt to recover aspects of idealism and spiritualism within the contemporary modern condition (not to mention the "atheist theocracy" set up through the Leninist-Stalinist version of Marxism in the late Soviet Union). However, the philosophy of history inherited from Hegel gives Marxism some leverage to address the question of transgressing the

modern capitalist-rational predicament. For Marx, history is not only a descriptive device to situate the current relations of production to their correct societal context, but also a prism through which the questions of "end of history" could be discussed and acted upon. While for Hegel (1977), the end of history was the completion of the dialectics between the Absolute Spirit and the human community, for Marx the eschatological moment was understood as the liberation of the man (woman) in the sense of having an unoppressed relationship to the tools and social practices enabling self-realization through the world of labor (Roberts, 2008). This space would be of course attainable only through the revolutionary completion of the material dialectics as performed by the proletariat class. And yet the socialist/communist society would be the ultimate synthesis, beyond which there would not be any historical change.

The original materialist-Hegelian eschatology was interpreted by Frankfurt Critical Theory scholars as a general political movement toward socialism, but without the strong Hegelian idea of transcending the dialectical dynamics of history (Friedman, 1986). Instead, 20th century neo-Marxism espoused a version of history that blended Weberian gloominess with a hope for the transformation beyond the contemporary rationalized modernity. The result was a theoretical amalgam that on one hand pointed toward a Nietzschean interpretation of modernity as the death of metaphysical values, as the Weberian Iron Cage of culture stripped of any extra-rationalized aesthetic or spiritual potential, but, that, on the other hand, wanted to believe in the force of historical progress that was pushing the existing society out of its current dialectics and toward the postmodern liberation of the laboring and socially self-realizing man (and woman). As Friedman (1986, p. 190) has, among others, noted, hos this places Western Marxism on a wobbly foothold: it is "Marxism without a teleological certainty or eschatological hope" – in essence, "criticism without the hope of redemption."

Preceding Marx, Hegel offered an idealist view on history as the gradual realization of the Spirit, enacted through steps the last of which was his transcendental philosophy. Hegel's teleology is according to the latest research (Magee, 2001) heavily influenced by Gnostic and Hermetic ideas that posit an intermediary stance between the full transcendence of the metaphysical absolutes and the immanentalized pantheism of modern philosophy (Cooper, 2006). For Hegel, his secular philosophy is needed to complete dialectics from the metaphysical to human and back to the metaphysical. By thinking about the nature of the Spirit (or the transcendental), the philosophizing human completes the Spirit that is not fully self-standing as in the traditional theism and Plato's idealism, but needs the infinite human to reflect back to itself to achieve fullness, and, hence, the end of History. This completion of the dialectics

between the transcendental and the immanent takes place in the scholarly and cognitive realm, where the teleological jump is more like a spiritual or scientific search for the meaning of the cosmos rather than the abrupt overturning of the current structures envisioned by Marx.

However, Hegel's philosophical practice that is meant to end history (and philosophy) has been criticized by Voegelin (1987) as attempting to "immenentize the eschaton," or, to bring about a grand synthesis, where the transcendental becomes realized or interpenetrated with the infinite present. Voegelin sees the problem of the modern social and political theories exactly there, where the recent commentators have located the theo-philosophical source of Hegelian thought, namely in the Gnostic and Hermetic understanding of the panentheistic dialogue between the metaphysical and the human. Voegelin (1997) is insistent that the modern break with antiquity begins with the introduction of Gnostic ideas to the Catholic landscape of later medieval thought. He takes Plato (1993) to suggest a more fully transcendentalized notion of the eschaton in the theory of Forms or Ideas that can be with time be sensed and appreciated, and taken as the guidelines for good government, but whose truth remains in the end a mystery to be respected rather than exposed. In any case, whether re-introduced in the way Sorokin and Hegel would approve, that is, as the opening of the new kind of dialogue between the man (the woman) and the metaphysical that is to ultimately lead to the completion of the human-in-the-Spirit/Spirit-in-the-human in the End of History, or, in the more originally Platonic/Voegelian sense of the finding one's way out of the cave of the humanly produced shadow images, and out into the world of the transcendental One/Sun endowing social and natural existence with intelligibility and order, the lesson from the extended experiment with modern rationalization seems to be relatively clear to organization theory: rational empiricism and materialist immanence are numbing the spirit of critical reflection and transformative potential. Whatever philosophical solution one favors, the current ultra-rational condition can only be rescued by creating a momentum toward the revitalizing of some forms of hope in the trans-human progressive forces that can trigger a positive change within the limits of our contemporary organizational life. This will be the next challenge for critical and philosophically attuned organization theory.

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