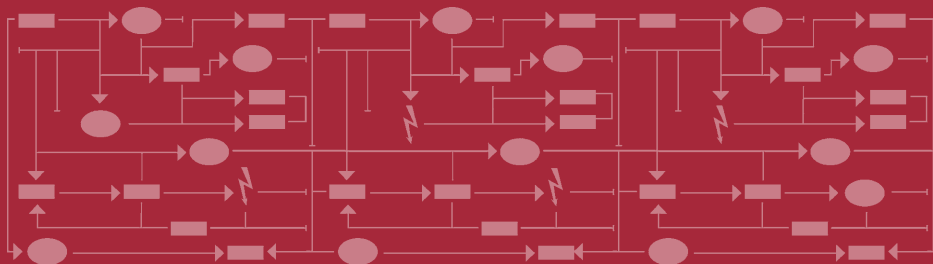


STEFAN KÜHL

# Organizations

A SHORT INTRODUCTION



## **Organizations**

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*Ordinary Organizations: Why Normal Men Carried Out the Holocaust*  
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A Short Introduction

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# 1.

## **Organizations: What Are They Actually?**

Although organizations define our lives to a significant degree, we are never trained in how to deal with them. No school curriculum in the world offers a class in “organizational theory.” Most courses of study prepare people for specific activities in companies, public administrations, hospitals, or churches, while only peripherally touching on how they should conduct themselves in organizations. Even in disciplines such as sociology, economics, and psychology, it is usually only in highly specialized courses that students learn how organizations actually function. As a result, people acquire knowledge of the workings of organizations and how to behave in them only incidentally.

Our first contact with organizations generally takes place the moment we are born. In the Western world, at least, this is in a hospital. Home births are an exception, so parents who elect this “extra-organizational” option generally have to justify their decision to friends. Yet even parents who would like to spare their newborns an early encounter with an institution probably think that, in the event of an emergency, a hospital can provide a greater range of services than a midwife practicing on an outpatient basis. For this reason, they keep the phone number of the nearest hospital handy.

Although children have little to do with organizations during their first two to three years of life, intense interaction with one specific type of organization lies in their immediate future—and is usually experienced as a distinct turning point. In kindergarten or elementary school, they may initially perceive their teachers as individuals, but they quickly realize that teachers are interchangeable parts of a larger whole. In addition, children’s behavior and expectations clearly show that they are aware of the difference between a family setting and an organizational one. Similarly, in secondary school, young people learn much



more than cross-multiplication, the correct way to form a genitive, and how moraines are formed. They undergo a socialization process that teaches them how to behave in organizations. There they can no longer rely on being treated as something special and being accepted regardless of their performance, as in their parent's home. Instead, they must learn that they are viewed from a very specific perspective and constantly compared with others. They must accept that they are seen primarily in the role of students. They soon realize that if they do not conform to certain rules, they face the threat of expulsion from the organization known as "school" (Dreeben 1968, 35ff.).

We have our first experiences with organizations in the role of an audience—for example, as kindergarten students who require entertaining activities, elementary students who must be instructed, or adolescents picked up by the police. Yet as we transition to adulthood, we increasingly find ourselves in organizational roles in which we must perform. We become involved in student government at school or college, are required (in some countries, at least) to enter the military or do national service, and then begin working in organizations ourselves. One can hypothesize that in modern society, the transition from adolescence to adulthood is more clearly marked by the assumption of a working role in an organization than by leaving home or starting a family.

A professional career in a company, public administration, church, school, or research institute seems so natural to us that self-employment just out of school or college is considered something odd. People strike off on their own because they do not get along with superiors (often in an organization), because no organization is willing to pay them a satisfactory salary, or because they want to do their own thing without being directed by managers or administrators. But even the self-employed, who often choose this path because they intuitively reject organizations or have been rejected *by* organizations, must later deal with small organizations of their own if their activities are successful.

However, as the organizational scholar Chester Barnard (1938, 4) remarked in the 1930s, organizations structure not only our working lives, but also our leisure time. Bridge and crochet clubs, student fra-

ternities, nonschool educational institutions such as adult education centers or dance clubs, athletic associations, prayer circles, parents' groups, citizens' initiatives, and political parties offer additional opportunities to interact with specific types of organizations, each with their own attractions and problems. Often a glance at our monthly bank statement is all we need to see just how many organizations we belong to—even if only passively, as dues-paying members.

At the end of their lives, people also gather abundant experience with organizations. Long before they die, they are normally removed from their working roles inside organizations due to retirement, termination, or unsuccessful bids for reelection. They often experience their departure not as liberating, but as “social death”—as separation from central reference points in society. However, early removal offers organizations the advantage of not having to deal with the all-too-abrupt personnel changes that physical death necessitates. Naturally, it occasionally happens that people die before retirement: a forest ranger might be crushed by a falling tree, a manager might suffer a heart attack, or a soldier might be killed during a maneuver or in combat. But such events are seen as unusual accidents for organizations. Unlike retirement or dismissals, they are treated as crises. For this reason, people normally experience the end of their lives as more or less helpless members of the “audience” of organizations, which may, for example, provide them hospital care, process their insurance claims, or tactfully bury or cremate their bodies after death. In this regard, old age is strikingly similar to early childhood.

### **Distance from Organizations as an Expression of Exclusion**

Organizations dominate modern society to such a degree that if we have nothing to do with them even for short periods of time, it is considered unusual. A one-year trip around the world entails not only a separation from family and friends, but also a temporary respite from contact with organizations. Indeed, this type of trip is often motivated by an organizational “overdose” during military service or the

first few years of professional life. When participants in quiz shows or guests at parties mention that their job is “stay-at-home mother” or, in extremely rare cases, “stay-at-home father,” they usually do so with a mixture of defiance and embarrassment, which is an indication that extra-organizational roles like this require explanation. The lack of contact with organizations can also explain the isolation felt by these women and men.

People who spend their entire lives—and not just a short period of time—without ever joining an organization can justifiably be described as living on the margins of society. A person who has never gone to school, performed military service, held a job, or belonged to any clubs or associations can rightly be viewed as “excluded,” to use a popular sociological term. A look at exclusion among the homeless shows that it generally begins with the loss of employment and then progresses to withdrawal from associations or the renunciation of membership in political parties. At that point, contacts with organizations occur only sporadically and generally under coercion (such as contact with the police), and are perceived by the excluded individuals with growing confusion.

The modern welfare state, however, is geared towards discouraging and preventing life outside organizations. While it is still possible to “protect” the very young from organizations, it becomes increasingly difficult as soon as they reach the age of compulsory schooling. In most countries, avoiding schooling requires a substantial criminal effort on the part of parents because compliance can be enforced, if necessary, by the police. Frequently, the parents’ only alternative is to enroll their children in an alternative school that lacks discipline, hierarchy, or other typical features of organizations. Yet as experiments at alternative schools like Summerhill in England and the Odenwaldschule in Germany have shown, the outcome is not an organization-free form of learning—a “de-schooling” of society, as it were—but merely a different form of organization, which can be emotionally and physically stressful.

In the later phases of their lives, people who do not work in organizations are by no means left in peace by them. Rather, they are entrusted to government employment offices which, due to their excessive red tape, may almost seem like caricatures of bureaucracies. For

these offices, reintegration into the workforce often means nothing more than the resumption of work in an organization, and they make financial support dependent on regular attempts to apply for a salaried position in one.

Given the prominence of organizations in modern society and the degree to which they define our daily lives, it seems appropriate to ask what these entities actually are.

## 1.1 Organizations: An Initial Attempt at a Definition

“Organization” is a common word. In everyday speech we often use “organize” or “organization” to describe goal-directed, systematically regulated processes. We speak of “organizing” or “organization” when various, initially independent acts are arranged in a purposeful sequence, thereby achieving rational results (Weick 1985, 11). A little girl’s mother or father will “organize” her birthday party. From our parents, grandparents, or great-grandparents, we know that during difficult times, people occasionally had to “organize” purchases on the black market to survive. After work, our boss might “organize” a round of drinks for us in a crowded bar. If too many goals are scored against an international soccer team, its coach will consider “reorganizing” its defense.

This broad understanding of the term “organization” underlies almost all forms of organization wherever they are found. Societies organize communal life, as do families. Groups organize evening card games, companies the most profitable way to manage their businesses, and protest movements their demonstrations. People who attempt suicide—whether successfully or unsuccessfully—organize their “long way down” (Hornby 2005). According to this definition, even laws, traffic regulations, hotel rules, user manuals, restaurant menus, game instructions, and sheet music are expressions of organization.

Yet this understanding is poorly suited for more detailed analyses; ultimately, it denotes nothing more than an order that is used to

accomplish something. The concept is formulated so broadly that in the end it encompasses everything that is in any way structured, regular, or goal-directed.

### In Favor of a Narrow Definition of Organization

In contrast to this inflationary usage, it has become generally accepted in scholarly circles to use the word “organization” to designate a particular form of social structure or system that can be distinguished from other social structures such as families, groups, networks, protest movements, or nation-states. Some of these structures even sport the word “organization” in their names as a means of describing their particular nature. One need only think of the “O” in the World Health Organization (WHO), the North Atlantic Treaty Organization (NATO), the Organization of the Petroleum Exporting Countries (OPEC), or the Organization for Economic Co-operation and Development (OECD). Other entities do not use the word “organization” but rather synonyms such as “institution,” which now sounds somewhat dated but is still found in names like the Brookings Institution or the Smithsonian Institution. Increasingly today, self-respecting organizations tend to adorn their names with the trendy term “agency.” As an illustration, in 2002, the US Ballistic Missile Defense Organization was renamed the Missile Defense Agency.

Other organizations use their names to describe the specific type of organization they are, whether a company, public administration, church, association, political party, or army. In cases such as the *Church of Scientology*, the Irish Republican *Army*, or *Club Med*, it may seem debatable whether the organizations are justified in describing themselves with such terms, or whether they are not actually businesses or even criminal outfits. Nevertheless, it is virtually impossible to deny them their status as organizations. Many organizations do not explicitly mention the word in their names: General Electric, Daimler-Benz, and France Télécom can justifiably assume that they are easily identifiable as organizations even without doing so.

Naturally, there are always cases where we are not entirely certain whether we are dealing with an organization. Does a one-person company that bills itself as a marketing agency qualify as an organization? When nations occasionally meet to coordinate climate policies, does that warrant the use of the term in the narrower sense? Does a branch of a state university in the United States represent an organization in itself, or is it only a subdivision of a greater whole? But such ambiguous cases can actually sharpen our understanding of organizations.

### **The Development of Organizations in Modern Society**

When we apply the narrower definition of organizations, we see that they are a phenomenon that has emerged only over the last several centuries. While it is true that the construction of the Egyptian pyramids or the development of an extensive water-based economy in the Nile Delta are impressive examples of “organization,” here the term is used only in its broader sense. With their initiation rites, precise regulations, and hierarchies, monasteries might initially seem to be precursors to organizations, but they are in fact an expression of pre-modern societies. The craft guilds in medieval cities also call to mind modern organizations, but here, once again, we are dealing with the broader definition of the term.

It is correct that rudimentary forms of membership-for-pay models have existed since ancient times. One need only think of the first day laborers who agreed to work for wages, or mercenaries who made their combat abilities available to the highest-paying military commander. However, until the dawn of the Modern Ages, other forms of integration predominated. Slave owners held their slaves as physical property. Feudal lords levied taxes on their serfs and exacted unpaid labor, imposing their demands through force, if necessary. People were more or less born into guilds: it went without saying that a boy would take up his father’s trade and assume his membership. Membership did not involve an independent decision, but was based on birth.

One central characteristic of all these premodern forms of organizations was that they encompassed individuals in their entirety. In highly simplified terms, the slaves who were deployed to build pyramids or dig canals were not permitted to go home after work or quit their jobs at the Egyptian construction sites. Entering a monastery was a fundamental life decision, which resulted in all activities taking place within the framework of communal Christian life. The primary goal of guilds was not so much to safeguard monopolies, but to regulate their members' cultural, political, and legal relationships.

Organizations in the narrow sense appeared for the first time in the Modern Ages with the development of bureaucratic administrations, standing armies of professional soldiers, education in schools and universities, treatment of the sick in clinics and hospitals, the creation of penal institutions, the transfer of production to factories and manufacturing plants, and the founding of associations, federations, unions, and political parties. After such organizations formed, it became the norm for membership to be based on a conscious decision by both the member and the organization. At the same time, members were no longer integrated into the organization in terms of all their role relationships in life.

This process eventually caught on in diverse fields such as religion, business, and politics. For example, beginning in the sixteenth century, compulsory membership in a church became increasingly delegitimized. Prior to that, subjects had been forced to share the religious denomination of their sovereigns. One need only think of the Anabaptist movement originating in Zurich. It called for a community of believers independent of the government that did not force its members into a religion based on their birth, but gave them the opportunity to freely profess their faith as adults. A similar development took place in the field of commerce. As the capitalist system evolved, freedom of trade and economic pursuit established itself in a growing number of nations, allowing citizens to engage in different types of work. The suspension of mandatory guild membership and the abolition of feudal subjection created the opportunity—and the necessity—for workers to offer their labor in emerging “labor markets” (Marx 1962, 183). In a

largely parallel development, opportunities arose to join special interest organizations such as associations, political parties, and labor unions.

What are the special characteristics of organizations such as companies, public administrations, universities, schools, churches, and the military? What features make them different from groups, families, protest movements, or even spontaneous interactions in a supermarket?

## 1.2 The Central Characteristics of Organizations

Without ever reading a single introductory work or enrolling in a single course on organizations, we seem to know when we are dealing with one. We intuitively grasp that a draft notice from the military will result in contact with an organization. We realize that our support for our favorite soccer team extends to the entire organization with all of its special features; even occasional changes in the lineup do not put us off. And we are aware that by purchasing a bottle of olive oil, we are entering into a contractual relationship not only with the cashier in the supermarket but also with the organizations that runs the supermarket chain.

Even with this intuitive grasp of organizations, it is often difficult to define their special characteristics as compared to other social structures such as families, groups, protest movements, or even everyday conversations. The sociologist Niklas Luhmann uses three characteristics to define organizations in modern society: membership, goals, and hierarchies.

### Membership

With the spread of human rights, the notion has arisen in modern societies that everyone has the right to be part of society by virtue of their birth. Even in nation-states (which should not be confused with societies), it is increasingly difficult to treat an individual as a nonper-



son, as was possible a century or two ago. Certainly, a state may refuse a person entry or a permanent residence permit, but there is a broad consensus that human rights apply even to noncitizens. People continue to be denied their basic rights, so actual practice often deviates from this standard. However, the media portray such events as scandalous, which indicates that they are understood as violations of prevailing norms (Luhmann 1995, 16).

To a large degree, modern societies have abandoned the practice of excluding members. The death penalty, exile, and deprivation of citizenship are no longer part of the standard repertoire of measures taken by states to ensure that citizens conform to rules. If misconduct occurs, a state may condemn, penalize, or imprison its citizens, but it cannot simply exclude them. If a state resorts to the medieval principles of exile or execution to rid itself of an unwanted person, it immediately leaves itself open to the accusation of backwardness. Examples include the vehement criticism of capital punishment in China, North Korea, and the United States, or the sharp condemnation of the deprivation of citizenship in East Germany, Iran, or Burma.

By contrast, one of the central characteristics of organizations is their ability to determine who comes or goes—in other words, their ability to control membership (Luhmann 1996b, 67). Whether in the form of a business, a public administration, a political party, or an athletic club, organizations can decide for themselves who to accept as members. Most importantly, they can determine who will cease to be a member because they no longer follow the rules. This allows organizations to define boundaries within which members (and only members) must submit to rules. Members face the constant threat of exclusion if they break the rules (Luhmann 1964, 44f.).

### Goals

Unlike their predecessors in antiquity or the Middle Ages, modern societies generally refrain from adopting overarching goals and insisting that their citizens accept them. When attempts are made to

define such goals—e.g. in national constitutions—they usually result in very abstract expressions of values. The goal formulated in the preamble to the American Constitution, for example, is to “promote the general Welfare, and secure the Blessings of Liberty.” The objective enshrined in the Constitution of the Russian Federation is “to ensure the well-being and prosperity” of the country and “to assume responsibility for our Fatherland before the present and future generations.” The dissemination of very general values probably does little harm, and politicians can make ample use of them in New Year’s speeches, but the matter becomes more problematic when a state begins making overly zealous commitments to a narrowly defined program of goals. We become wary when a country adopts objectives such as “achieving Marxist-Leninist ideals for humanity,” “proclaiming God’s Word on earth,” or “spreading capitalism across the globe”—and then aggressively attempts to translate these goals into concrete programs to assess whether its citizens live in accordance with its values or not (Luhmann 1977, 39).

The situation is entirely different in organizations, where goals play a central role. Companies produce goods or provide services as a means of generating profit or (to cite an alternative goal) to meet the needs of the population. Authorities provide public services and implement the political framework established for society by political leaders. The purpose of prisons is to house convicts and, in some countries at least, to rehabilitate them. Universities fulfill the dual purpose of imparting knowledge to young adults in special fields of study and conducting research.

If organizations did not formulate goals, they would create confusion not only among their own members, but also in their external environment (Luhmann 1973a, 87ff.). Even organizations such as clubs, lodges, and fraternities whose goals are not immediately apparent to outsiders attach great importance, at least in their external communications, to communicating goals such as “promoting the community,” “upholding moral standards,” or “providing guidance and orientation for beginning students.”

## Hierarchies

Hierarchies are also becoming less important in society (Luhmann 1997, 834). Modern societies no longer have rulers who can extend their power via chains of command into various areas of people's lives. The determination of whether a theory can be accepted as scientifically valid is not made by a central agency that has the power to impose sanctions. The choice of who governs a country is not made by an all-powerful institution, at least not in democracies. The question of which product should be sold is not settled by a hierarchy, but results from market processes. The determination of an object's beauty does not fall under the authority of an omnipotent cultural commissioner, nor do the workings of a hierarchy tell us who we are allowed to fall in love with.

As the examples of Iraq under Saddam Hussein or Afghanistan under the Taliban show, regimes that attempt to use hierarchical government structures to extend their rule into specific areas of the population's life are considered outdated and even potentially evil. The days are long gone when societies could organize themselves according to a strict hierarchy without encountering legitimacy problems. Today, there is no longer a king, an emperor, or a pope who can exert a high degree of influence on the various areas of citizens' lives by activating chains of command or instruction (Weber 1978, 215). Nowadays, people do not take orders from the president of the United States, the federal chancellor of Germany, or the president of the European Union Commission—with the sole exception of the staff at the White House, the chancellor's office, or the European Commission.

Unlike modern societies, organizations are hierarchically structured. Scholars have noted that while large sections of society have been "de-hierarchized," academic, political, artistic, and business organizations have retained their hierarchically structured systems. Immediately after seizing power, Adolf Hitler, inspired by his dream of a hierarchical society, referred to this dichotomy in a speech to German generals, saying, "Everybody knows that democracy is out of the question in the military. It is also harmful in the economy." His conclusion,

which may seem abstruse to us today, was that, because hierarchies were predominant in businesses, the military, universities, and public administrations, people were mistaken in believing that democracy was possible in society. For this reason, he argued, society as a whole needed to be thoroughly and consistently structured according to the “Führer principle.”

Now that democracy has become the globally accepted norm, such re-hierarchizing attempts are viewed mainly as failures. The opposite interpretation is far more common. There are complaints that democracy has been “halved,” and the continued existence of hierarchies in businesses, public administrations, hospitals, universities, and schools inspire demands for the democratization of these organizations.

Such demands find surprisingly little support, however. Even for staunch advocates of democracy, the fun seems to end with the question of the internal structure of public administrations, companies, churches, and universities. Businesses may debate whether their employees should have a greater say in company affairs, but a CEO who characterizes her company as a democratic structure will probably only make herself look ridiculous in the eyes of her employees. A public administration may debate whether it can dispense with managers at the department level, but there is no question that de-hierarchizing the administration itself would be considered an infraction against a system that is enshrined in constitutional law.

### **Decision-Making Autonomy**

The ability of organizations to reach their own decisions about membership, goals, and hierarchies is vitally important. A company, public administration, university, or hospital can only be considered an organization if it has the power to determine who will become a member. If the criteria for membership are imposed externally, it restricts the organization’s ability to set expectations for members and to use the threat of dismissal to enforce them. One need only think of public administrations in developing countries that cannot recruit members

independently, but are required to hire personnel exclusively from a certain caste or a designated clan—and then cannot dismiss employees they are dissatisfied with.

Decision-making autonomy becomes particularly evident in hierarchies. During the Middle Ages, it was still commonplace for the hierarchy of a court, army, or agricultural production unit to reflect the hierarchy of the corresponding society. It was virtually impossible for a feudal lord to fight in a war as a simple soldier or a serf to assume the role of commander. In modern societies, the close link between class affiliation and hierarchical rank within organizations has dissolved. It is difficult to view internal organizational hierarchies as an expression of the class relations in society that are based on a difference between capital and labor, as Marx once argued. A person's chances of becoming CEO of a corporation or the leader of a political party continue to be greater if their father or mother held the same position, but as a general rule, it is an organization's own decisions that ultimately determine how positions within the hierarchy are filled.

Similarly, an organization's ability to define its goals autonomously is of pivotal importance. If goals are determined externally and the organization cannot make such decisions independently, the organization's ability to cultivate an identity of its own is limited. The organization is then perceived as a mere lackey of another, more powerful entity. It becomes almost impossible to avoid the impression of being nothing more than a division of a larger organization. When reference is made to the liberation of companies from centralized production planning, the independence of schools, or the autonomy of universities, there is always an emphasis on the organizations' ability to determine their goals independently.

Of course, organizations are never completely independent in their decision-making. After all, they participate in society with all its legal norms, political restrictions, and economic limitations. In the Western world at least, companies cannot decide to prioritize the hiring of workers aged eight to twelve simply for reasons of efficiency. In the wake of an election, government departments must live with the fact that top positions will not be filled solely on the basis of professional

qualifications, but that membership in a particular party will figure prominently in the appointment process. If a security company were to decide to operate a protection racket instead of offering corporate guard services, it could not expect law enforcement authorities to turn a blind eye to its new mission. The central issue, though, is that within the limitations imposed by law, political requirements, or economic shortages, organizations are characterized by the ability to make their own decisions about goals, hierarchies, and membership.

## 2.

# Membership, Goals, and Hierarchies

When the members of an organization are asked how their company, university, church, political party, or public administration works, the descriptions they offer are often surprisingly simple. One need only look at the PowerPoint presentations that employees of insurance companies use to depict the goals or the structure of their organization, the brochures that government agencies distribute at career fairs to recruit the next generation of administrators, or the websites that Greenpeace, the World Wildlife Federation, or labor unions put online to attract members. The organizations always appear to have a clear set of goals that are meant to be achieved by an efficient, hierarchically structured organizational form with the help of a well-trained personnel.

### **A Simple Picture: From Goals to Hierarchies to Members**

Even though it might not be immediately clear from PowerPoint presentations, recruitment brochures, or websites, in the final analysis, the public face of an organization and the three organizational “ingredients” it displays—membership, goals, and hierarchies—always present a relatively simple picture of the organization as a goal-oriented structure. Organizations begin with overarching goals such as producing automobiles, educating students, torturing regime critics, or providing pastoral care for the terminally ill, and break these goals down into subgoals and sub-subgoals. A specific division, department, or team in the organizational hierarchy is then assigned responsibility for accomplishing each of these subgoals or sub-subgoals, and suitable staff are hired to fill the positions that have thus been created.

*In the Beginning Was the Goal*

In the beginning, all eyes are on the goal. After all, in its most basic form, the “ur-goal” is ultimately the reason an organization exists. Everything that happens in the organization must be understood in relation to this goal, which serves as the standard for all organizational activity. According to this line of thinking, no matter what the purpose of the organization—manufacturing energy-saving lightbulbs, designing websites for craftsmen, fighting crime, staging revolutions on Caribbean islands, or preventing the construction of nuclear power plants—the organization justifies its existence by achieving its goals.

The setting of a goal as the foundation of organizational life is part of the traditional descriptions found in economic, sociological, and psychological research. These descriptions generally define organizations in relation to their goals and the means used to achieve them. One such definition regards organizations as coordinated, systematic collaborations between individuals to create a product. Another concept views organizations as structures that pursue a goal over the long term and focus their members’ activities on accomplishing it.

The most common definitions of organizations include the idea that goals can be broken down into a large number of subgoals. The economist Adam Smith illustrated this idea with his famous example of a pin factory. According to Smith, although a single unskilled worker is probably not able to produce even twenty pins a day, dividing the goal of pin production into many subgoals increases production enormously. The creation of subtasks such as drawing out and cutting wire, grinding the tops, and attaching the pinhead, allows each worker to specialize in one task, thereby enabling ten people to produce a total of 48,000 pins a day (see Smith 1999, 11).

This makes it possible to form complex means-end chains in organizations in which every end serves as a means to achieve the end beyond it, which, in turn, is another link in the chain of further ends. To cite an example given by the organizational scholar and Nobel Prize laureate Hermann Simon, a surprise attack on the front serves the purpose



of capturing an enemy position; capturing this position serves the purpose of breaking through the enemy lines; breaking through the enemy lines serves the purpose of forcing the enemy to capitulate; the enemy's capitulation serves the purpose of sealing victory with a peace treaty; and victory serves the purpose of strengthening the power of the country for which one has fought (Simon 1957, 45ff.).

From this perspective, the organization appears to be a mere “organon”—a tool or instrument with which the omnipresent goal can be reached. It functions as an “organ” that has the ability to transform inputs in the form of raw materials, machines, or labor into desired outputs in the form of products, services, healed patients, or educated students.

### *Responsibility within the Hierarchy*

According to this simple understanding of organizations, every goal, subgoal, and sub-subgoal can be correlated with a position in the hierarchy. Ultimately, the means-end structure is connected to the hierarchical structure (see Weber 1978, 215). Management defines the way the organization wants to accomplish its goals. The actions required as a means to achieve the goals are then “assigned to subordinates as tasks.” In turn, these individuals “delegate subtasks to the levels below them,” until the “bottom of the hierarchy”—the task performance level—is reached (Luhmann 1971a, 96f.). Ultimately, the hierarchical order of positions is only a reflection of “the ordering of organizational ends and means” (see Luhmann 1973a, 73).

Thanks to the link between means-end relations and the hierarchical top/bottom structure, clear organizational analyses can emerge. Let us assume that the managers of a company decide that it should become the global market leader in drill bit cases, which can be used to arrange bits neatly by size. Because the company's CEO is ultimately responsible for achieving the goal of global market leadership, her next step will be to determine what means are best suited to achieve this primary goal and who will be held accountable. For example, she might decide that

the company must move into the Asian market. She will thus appoint a sales director who is responsible for achieving that particular goal. In turn, that sales director will define subgoals for her subordinates, and in this way a position within the hierarchical structure will be defined for even the smallest of goals.

### *Selecting the Right Members*

If every position in the hierarchy is responsible for a certain range of tasks, then, according to this relatively simple definition, all that must be done is to fill the respective positions with suitable staff members. In the early twentieth century, rationalization expert Frederick Taylor came up with the mantra, “Select the best person to perform the job thus designed” (cited in Morgan 1986, 23). Max Weber (1978, 218) formulated the same thought at around the same time, observing that for the demands placed on a rational organization to be met, every task must be performed by “a person who has demonstrated an adequate technical training.”

According to this understanding of organizations, it is always important to define the task first; the next step is to select the person with the right qualifications to perform it. In this context, business economists speak of the *ad-rem* principle. By contrast, the tailoring of a position to a person who has already been hired—the *ad-personam* principle—should be understood as a pathology and only considered in exceptional circumstances (see Luhmann 1971b, 209).

The first step should be to carefully analyze the task, including clarification of what needs to be done (the characteristics of the task to be performed), what needs to be acted upon (the object that needs to be changed), what will be used to perform the job (the available resources), where the task will be performed (the workplace), when it will be performed (the time available), and how it will be performed (definition of the procedure). After the task is outlined in this manner, the qualifications are determined that will be required of the member performing it.

According to this model, personnel selection should be made solely on the basis of the criteria that are important for the organization. Factors such as ethnic origin, social background, gender, or sexual orientation should not play a role—or should play a role only if they can be proven to be in the organization's interest. Research has repeatedly shown that top positions in the business world are disproportionately held by individuals from upper-class backgrounds. One explanation for this is that members of the upper class use their influence to obtain positions for their peers, which poses a problem for the organization's effectiveness. Another explanation (reflecting the idea that personnel selection is rational) is that socialization in upper-class families is free from the pressures to conform commonly seen in organizations. It thus promotes a change-oriented decision-making style that is particularly in demand in top-level positions. In middle management, by contrast, it has been observed that the ability to cope with stress is particularly desirable because middle managers are sandwiched between the very top and the very bottom and must reconcile a highly diverse range of demands and expectations. At the very bottom of the organization, an entirely different skill set is in demand, including the willingness to perform mindless tasks without grumbling. It has been rumored that US corporations—in the tradition of Frederick Taylor—conducted intelligence tests when hiring “ordinary laborers.” The objective was not to recruit those with the most potential, but rather those whose intelligence was so low that they would not someday become dissatisfied with their menial work.

Naturally, the question of who is the right person for the job is not easy to settle. Are people from the upper classes genuinely better suited for top business positions? Is the ability to cope well under stress truly an important qualification for middle managers? Might it not be to the organization's advantage if the people holding jobs at the very bottom had some degree of intelligence? All these heatedly debated topics notwithstanding, there is at least agreement that a scientifically based selection process delivers the right people.

## The Appeal and Limitations of an Instrumental-Rational Understanding of Organizations

In organizational research, a number of scholarly terms are used to describe the instrumental-rational approach, including the “instrumental-rational model” (see Weber 1978, 24ff.), the “rational perspective” (see Gouldner 1959), and the “mechanical system” (see Burns/Stalker 1961). The appeal of this approach is obvious. Once the goal of an organization has been determined, it can be used to analyze the organization in its entirety.

Naturally, the focus on an overriding goal can lead to heated debate on which organizational structure is best suited to achieve a goal and which personnel should be hired. Yet these discussions can always be conducted in relation to the overriding goal. If market assessments prove wrong, parts suppliers go bankrupt, or individual employees refuse to do the work expected of them, the problems can simply be put down to “deviations” from the organization’s goal without the organization having to abandon the focus on the goal in question.

### *The Same Perspective Shared by Managers, Consultants, and Researchers*

The charm of this model is that managers, consultants, and researchers do not need to have different views of the organization. Management can refer to the organization’s goal in order to justify its optimization ideas. If organizational units cannot clearly show what they contribute to achieving this overarching goal—get rid of them. If the activities of the personnel cannot be construed as a means of goal fulfillment—rationalize them out of existence. Here, the only difference in the position taken by labor representatives is that these representatives define their “overarching goal” in different terms—protecting the employees’ jobs—and consequently arrive at different results than management when they break down operations into subgoals.

Consultants can simply adopt the same instrumental-rational approach. Their task then consists of compiling the most complete body of information possible and, after carefully weighing the alternatives, suggesting to management or labor representatives more suitable means to achieve the overarching goal. To this end, they will pull all sorts of methods out of their toolbox: agile management, design thinking, business process reengineering, portfolio management, zero-based budgeting, time-based competition, the shareholder value concept, or kaizen. It makes no difference what new-fangled method is used, the point is always to suggest a better way of achieving the goal.

When researchers adopt this instrumental-rational approach, they generally have no communication problems with its adherents in actual practice. Put simply, fields such as business administration, education, and public health, which are closely linked to organizational practice, often see their central task as supporting companies, public administrations, or hospitals in achieving their goals through a scientifically based search for the proper methods. It is naturally assumed that the insights produced for such organizations constitute good scholarship, or at least have the potential to produce it.

### *The Alternative: Describing Organizations the “Way They Are”*

Unfortunately, things are not always that simple. The experiences of organizational researchers and practitioners show that reality has little to do with this simplified instrumental-rational understanding of organizations. US steel corporations and the German-French technology concern EADS exemplify the fact that some of the most long-lived organizations do not understand their own goals clearly, and the work done by their mid-level managers often does not qualify as particularly efficient or effective. Frequently, organizations do not establish hierarchies that correspond to a goal; rather, goals are sought that correspond to already existing communication and decision-making channels. In addition, one occasionally has the impression that organizations do not look for suitable personnel to fill precisely defined positions, but instead

create positions for existing staff. Life in organizations appears to be much more chaotic than the instrumental-rational view would suggest.

In contrast to this practice of describing deviations from the instrumental-rational model as pathologies and viewing them as justification for constant optimization attempts, organizational research has increasingly turned to an approach that describes organizations in a way that reflects how they operate in real life and not how they ought to operate according to the dreams of instrumental-rational theory. It is only through such realistic descriptions—based on the three central organizational characteristics of membership, goals, and hierarchies—that a complex, accurate picture can emerge of how organizations function, how they are structured, and how members can deal with them.

## 2.1 Membership: The Magical Method to Create Organizational Conformity

When children see their mother or father at work for the first time, the experience can be pivotal for their development. Somehow their parents seem to behave very differently than at home. Mother, who is caring and loving with the family, is an austere regent at “her” company. Father, who plays such an authoritarian role at home, becomes docile the minute his boss enters the room. Children learn that their parents act in strange, unaccustomed ways as soon as they come into contact with an organization.

Organizations appear to produce unaccustomed behavior in their members—and to make members tolerant of such behavior as well. To quote the Russian revolutionary leader Vladimir Ilyich Lenin, “That is what you call organization, when in the name of one object, inspired by a single will, millions of people change the form of their intercourse and their action, the place and methods of their activity, their weapons and arms, in accordance with the changing circumstances and demands of the struggle” (cited in Selznick 2014, 12). Even if, in this quote, Lenin is referring to armies in which membership is compulsory, or revolu-

tionary organizations characterized by a high degree of identification with a specific goal, he probably would have felt the same euphoria about the idea of unified, goal-oriented efforts by employees in large companies, public administrations, or universities.

One branch of organizational research that is based on the work of French philosopher Michel Foucault views the “strange behavior” of members of organizations as evidence of subtle control strategies by these organizations. It is assumed that the systems of rules governing daily activities, practices, and discourses represent an exertion of power. The idea is that members of organizations do not really want to behave in the way required.

How can it be that people in organizations fall into line and frequently behave in vastly different ways than what their friends are accustomed to?

### **Conformity Is Created by Making Membership Conditional**

To make people behave in unusual ways—at least from the perspective of those who know them from other roles in life—organizations use a simple mechanism: they stipulate that their members *must* fulfill such unusual behavioral expectations if they want to become or remain members. “To begin with, only those who acknowledge the rules of the organization can join. And those who no longer wish to adhere to the rules must leave” (Luhmann 2005b, 50; see also Luhmann 1982b, 75; Luhmann 1996a, 345). Obviously, it would not go over well during a job interview if the applicant announced that she agreed with the organization’s basic focus but was unwilling to accept all of its rules.

The members’ compliance with the organization’s expressed conditions of membership can be described as a form of adaptation to its formal expectations (see Luhmann 1962, 13). Such conditions of membership can be communicated in writing through a job description, work instructions, or an order to report for military service. At times members are also required to provide written confirmation of the receipt of a directive, a new regulation, or notification of a new subordi-

nate relationship within the hierarchy, which signals their acceptance as a condition of membership. Still, formalized expectations are frequently only communicated orally by a manager or other person appointed by the organization. Regardless of the form chosen, it is important that members realize what expectations must be fulfilled in order to retain membership, and that everyone else can rely on the individual having understood.

### *The Effect: Conformity*

The only reason organizations can achieve such a high degree of compliance among members is that they are able to subject membership itself to a set of conditions. The organization simply declares everything it considers good and important to be a mandatory requirement for membership. If a professional army needs soldiers who are willing to safeguard elections in the Congo—and accept a six-month separation from their loved ones as a consequence—it can, at short notice, make participation in the mission a formal expectation. Then the soldiers must participate or leave the organization.

The only explanation for the remarkable success of organizations in producing conformity of action (at least superficially) is this ability to make membership contingent on an array of conditions. Individuals who are “fickle, slow to adjust, stubborn, or moody,” are “domesticated” by threats of having their membership terminated” (Schimank 2005, 36). It goes without saying that managerial incompetence will be the subject of constant griping among staff and the latest management decision will be criticized or even covertly sabotaged, but open rebellion is extremely rare. Grumbling and complaining may occur, but ultimately the formulated conditions of membership will be fulfilled.

The conformity effect in organizations becomes evident when organizations are compared to other social systems that cannot treat membership as a matter of choice. For example, in families, neighborly relations, and interactions with friends, it is impossible to produce similar forms of conformity. When a mother forbids her child to draw



on the kitchen wall with crayons and the child disobeys her with a defiant “Who cares!”, the child’s membership in the family cannot be terminated. The inability to terminate membership can lead to a type of physical violence that does not normally arise in public administrations, companies, churches, or universities.

### *Raising the Membership Question*

One special feature of membership expectations is that they are considered violated if a member fails to fulfil even a single demand. The member who “rejects *one* of her supervisor’s instructions” or “refuses on principle to recognize *one* of the organization’s regulations” rebels against “*all* of the organization’s formal expectations,” writes Luhmann (1964, 63). If a university employee refuses to comply with her supervisor’s request to provide a file on a particular student, it will create significant turmoil in the organization. The reason is not that the specific file is indispensable to the operation of the university; rather, noncompliance with even a trivial request must be interpreted as rebellion against all of the university’s formalized expectations. When the captain of a national sports team criticizes his coach’s decisions about the team lineup as “dishonest” or “disrespectful,” the criticism itself might be justified, but the organization cannot brook it because it undermines the coach’s authority and ultimately the entire decision-making structure of the club. Thus, such rebellion against authority is only tolerated if the captain subsequently makes a personal and public apology to the coach, thereby acknowledging the terms of membership.

By applying the central rules of membership even to a *single* explicit infraction, organizations can generalize their formalized expectations of behavior to a degree that is virtually unknown in other areas of modern society. Every time members communicate with other members in an organization, they must ask themselves whether they are complying with formal expectations and whether, by rejecting a formal expectation, they are putting their membership at risk. Particularly when

problematic demands are made of members, one question always hangs in the air: “Will I be able to remain a member if I openly reject this demand as unreasonable?” (see Luhmann 1964, 40).

### *The Underlife of Organizations*

Naturally, there are many different ways members can deviate from an organization’s formal expectations. Life in organizations is much more chaotic than may be suggested by written regulations or by the orally communicated directives of managers. Organizations have a significant “underlife” that is not taken into account if only the formalized expectations of members are examined.

Nevertheless, it is important to keep in mind that behavior in organizations is focused on formal expectations. These are always at the member’s disposal and can be cited if needed—e.g. when an employee (or a manager, for that matter) makes exaggerated demands. Or members can fall back on formal expectations if they want to play it safe (see Luhmann 2005b, 60).

### **Membership Can Be Made Contingent on a Multitude of Conditions**

To become a member of an organization, one must accept a multitude of conditions. For example, the organization’s *goals*, or at least one of its relevant subgoals, must be affirmed. Members are not expected to make a hobby of building nuclear weapons, producing eyeglass cleaning cloths, or selling mutual funds, but if they join an arms manufacturing plant, a chemical company, or a bank, they must be prepared to adopt such goals as their own, at least during working hours. They must also accept the organization’s *hierarchies*, as well as instructions from members of the organization designated as their direct superiors—regardless of whether they respect their superiors as human beings or consider these instructions purposeful. What’s more, if they want to remain a

member, they must accept the organization's other *members*. In their lives outside the organization, it might be possible to largely avoid these "little idiots," but not inside the organization, where collaborating with them is one of the conditions of membership.

### *Zones of Indifference*

Much of what members must accomplish cannot be precisely determined before they join the organization. It is impossible to communicate beforehand exactly what tasks the employees of a hospital, school, or company will confront. Granted, an organization can convey a basic sense of the goals it strives to fulfill and the activities that need to be performed to achieve them. But it is extremely difficult to define in advance exactly how these factors will play out in terms of an individual employee's work assignments. While it is true that prospective members can be told during a job interview where they will rank in the hierarchy, all parties have to accept that their exact position will remain subject to determination by the organization. In addition, only vague information can be given about their future colleagues, those members of the organization with whom they will have to work (see Kühl 2019, 59).

Herein lies the difference between a contract for services and a contract of employment. Organizations use a contract for services to purchase a precisely specified type of labor. Such contracts stipulate exactly which task is to be performed by a given deadline and whom it will be performed for. By contrast, an employment contract only allows organizations to acquire their members' time in a very abstract way. By signing an employment contract, members issue a kind of *carte blanche* and declare their willingness to use their abilities, creativity, and productivity in accordance with the tasks assigned to them. They forgo having the details of their duties spelled out in written form (Commons 1924, 284). Chester Barnard uses the term "zones of indifference" to refer to these unspecified areas in which the members' compliance is expected. In other words, in them, they are expected to act indifferently to the organization (Barnard 1938, 168ff.).

### *The Limits of Expectations*

Many organizational expectations clearly fall into these zones of indifference and must be accepted by members. Police officers can expect to hunt down criminals, student assistants to copy books, and professors to instruct students in their field. However, a number of expectations plainly fall outside the zone of indifference. Police officers are justified in assuming that they will not be required to look after the town's parks. Student assistants may assume that they will not be assigned to wash their professors' cars. And no one can expect professors to teach topics that do not belong to their field of expertise.

To gain an understanding of organizations, it is important to examine the border zones where it is unclear whether members must accept behavioral expectations or not. To revisit a prominent case from the Second World War, could members of the German police have been expected in a time of war to participate in mass executions of the Jewish civilian population? Is it permissible to expect student assistants to sort the books in their professors' private libraries? Can professors be expected to teach topics that do not fall within their area of expertise?

### *The Functionality of Generalized Membership Expectations*

For organizations, having a zone of indifference that is as large as possible serves an obvious purpose. Members pledge a kind of limited, general obedience to instructions that are initially not specified in greater detail. In such zones of indifference, organizations can adjust their expectations of members without arduous internal negotiation processes. Simply put, a willingness to adjust to changes in the organization is a condition of membership itself (see Luhmann 1993, 188).

In this way, companies, public administrations, and hospitals can modify their *goals* without having to seek prior approval from their members. They are also justified in expecting an "indifferent" response by members to their classification in the *hierarchy*. Even if members get along well with their current manager, they may be expected to

accept a new manager even if she is younger, comes from a different social milieu, or has been a member of the organization for a shorter time. And organizations may expect changes in the composition of *members* to generally fall into the zone of indifference. There is no need to obtain the approval of the entire staff every time a new member is brought on board.

The writer Jorge Semprún was active in the communist underground in Spain during the Franco era and lived in constant danger of being arrested and tortured by the security police. He wrote that after the Franco regime fell, members of the security police now had to accept a new hierarchy, in which he held the position of minister. He describes how a police officer approached him during a state function, saying, “Excellency, I was one of those who hunted you back then.” During this dialogue, neither Semprún nor the police officer had any doubt that in order to remain on the police force, the officer now had to accept the changed membership rules (the integration of the regime’s former opponents into the organization), the changed hierarchy (former opponents were now superiors), and the changed goals (the abandonment of torture) (Semprún 2008).

The zones of indifference represent a major advantage for organizations. Experience shows that members tolerate a high degree of upheaval, disappointment, and stress within zones of indifference before they reach a decision to leave. The zones of indifference give organizations the freedom to act according to their own judgment, thereby ensuring their existence through continual adaptation to a constantly changing environment (see Luhmann 1964, 94).

### **How Do Organizations Motivate Their Members?**

Organizations place far-reaching demands on their members. For example, members might be expected to screw parts together during an eight-hour shift, practice drills on the parade grounds all day, or fold hundreds of fliers and stuff them into envelopes. They might be expected to dig up streets with jackhammers at temperatures reaching

ninety degrees in the shade, shunt files across the office, or teach students who are exhausted from the heat or dispirited by overcrowded undergraduate programs.

How do organizations manage to make people submit to tasks that are often unappealing? What are the mechanisms that ensure that people remain members of organizations despite attractive alternatives such as spending time in cafés, watching television, or having sex? What forces bind people to organizations and make them fulfill their expectations during the time organizations lay claim to them?

### ***Money: The Charm of Material Incentives***

Money is probably the first method that comes to mind when we consider the ways organizations keep members. If organizations are willing to pay enough, they can recruit members even for highly unattractive tasks such as cleaning oil-contaminated beaches, photocopying thick books, or processing building permits. And since people are in chronic need of money, organizations can retain members not only for a short period of time, but permanently.

Generally speaking, members of organizations are paid directly in the form of wages, salaries, or bonuses in return for making themselves available to work for part of their day. Yet there are other models in which motivation is not created through direct payment from organizations, but merely through the prospect of receiving payment from others. Companies have developed personnel recruitment practices whereby interns do not need to be paid at all and can be motivated instead simply by the prospect of receiving payment at a later point in time. Particularly in developing countries, government agencies can afford to pay their members very poorly or not at all, because the allure of working as a police officer, customs agent, or employment placement officer does not lie in a direct government salary, but in the opportunity to pocket bribes.

The advantage of using money to retain members lies in the flexibility of the instrument. Monetary payment can induce members to accept the shift from a highly motivating goal (saving children with AIDS) to a less

motivating one (selling AIDS medications for profit). Payment can also get them to tolerate de-motivating information over an extended period of time, such as the revelation that a newly developed drug can have lethal side effects. Further, it allows organizations to hire executives who may be professionally competent, but do not have a particularly motivating effect on those under them. Because the members' willingness to comply has been secured through monetary payments, the organization can do without charismatic leadership (Luhmann 1964, 94ff.).

The disadvantage, though, is that organizations must constantly find new sources of income to retain members. Businesses accomplish this by selling the products their members produce and using the revenues to ensure that there is adequate money to meet the payroll. Public administrations must rely on tax revenues to pay their civil servants and employees. If associations, NGOs, or political parties cannot get by with an exclusively volunteer workforce, they require a steady stream of membership dues, contributions, and government subsidies to pay full-time professional staff.

### *Using the Threat of Force to Impose Expectations on Members*

Force was used to motivate people in all of the advanced civilizations of antiquity, the Middle Ages, and the early modern period, and it continues to be used by some organizations today. Such organizational coercion can consist of allowing members to leave only under circumstances defined by organizations. To this end, organizations use their own means of force such as internal policing agencies (e.g. the military police), their own judicial systems (e.g. military tribunals), and their own prisons, all for the purpose of pressuring members to participate in their activities. Or they utilize government prosecuting authorities to ensure that "members" who escape are arrested, convicted, and imprisoned. The purpose of coercion is to set exit costs so high that members generally do not view leaving the organization as a serious option.

As a method for recruiting and retaining members, force has become less popular in modern society, but it continues to be used by govern-

ment organizations today. Pertinent examples can be found in many different areas, including the military, where neither conscripts nor professional soldiers are allowed to leave under threat of imprisonment or even execution; militias, where members may lead normal lives—with the exception of occasional military exercises—but are called up for mandatory service in the event of an emergency; police forces in times of war, in which police officers are prohibited from resigning; border troops that do not offer their members the option of leaving the unit; companies that achieve their production goals through forced labor; and social service providers that draw heavily on individuals in national service programs, who are under an obligation to work for them.

The advantage of motivating members by force is obvious. The organization can acquire a large number of members to perform unattractive and dangerous tasks. Particularly in wartime, tasks in the military, the police force, or militias are often associated with grave hardship and risks, making it unlikely that sufficient volunteers could be found to perform them.

The disadvantage for organizations that press their members into service is that it becomes difficult to achieve compliance beyond the members' mere presence. In organizations that people join by choice and are free to leave, the threat of termination or expulsion plays a central role in compliance. But precisely this mechanism is unavailable to organizations that retain members by force. In these organizations, the refusal to perform an action does not immediately raise the question of dismissal, but becomes a matter for judicial systems, either the organization's own or the systems of the state. Organizations must deploy staff to punish infractions and enforce their expectations. Maintaining an enforcement apparatus not only consumes vast resources, but also frequently creates legitimation problems for the organization.

### *Identifying with Organizational Goals*

Another way to retain members is to offer them attractive goals. Rescuing neglected children, protecting the environment, providing as-



sistance for impoverished countries in Africa, contributing to a global revolution, or founding a new nation—when goals are appealing, they sometimes suffice to convince people to join an organization.

As a rule of thumb, the more motivating the goals, the lower the salaries. As a result, political parties, hospitals, development aid organizations, and environmental companies are often able to offer their full-time professionals lower salaries than other organizations because these professionals strongly identify with their goals. Often members are actually willing to pay for the chance to join—in the form of membership dues.

Yet even when members do not join because they find an organization's goal particularly attractive, the organization might hope to make clear to them how attractive the goal really is. Chester Barnard observed that it is not enough to retain employees through wages, status symbols, or the prospect of a career (Barnard 1938, 149ff.). Rather, it is important to influence the members' needs and functions such that they feel as if their own interests coincide with those of the organization. "We have successfully launched a new high-pressure cleaner on the market" or "When it comes to carbon dioxide separation and storage, we're one of the best"—when employees utter sentences like these in their private conversations, it is a sign that efforts to foster employee identification with organizational goals have been successful. Such attitudes call to mind Max Weber's reflections on Protestant ethics, which in his view ultimately resulted in work being pursued as an ideology and absolute end in itself (see Weber 1965, 52).

Employee identification with organizational goals is linked to the hope that employees will work more efficiently if a work process is stabilized through self-interest. The theory is that an organization functions better if identification with goals has not been bought with high salaries and bonuses, lavish company cars with teak interiors, or incentive trips to exotic destinations, but is viewed as being in the employees' interests. The operative assumption is that people are more motivated if they are fascinated by the cause itself and can consequently identify with the norms and value systems of the enterprise.

Nevertheless, identification with goals also has its disadvantages. It may sound surprising at first, but it causes organizations to suffer a con-

siderable loss of flexibility. When employees identify with a goal, argues Niklas Luhmann, the organization loses “elasticity” (Luhmann 1964, 137ff.). The medieval stonemason whose self-image was based on building cathedrals was probably difficult to recruit for other construction projects. An employee who derives motivation primarily from providing a highly specific product to a customer will hardly feel enthusiastic about selling a different product. A worker who is responsible for flexibly handling assignments within her group and identifies very strongly with her job may encounter motivation problems if she is suddenly required to work in a completely different area. The tragedy of the matter is that when a business makes an all-out effort to ensure employees identify with a certain product or process, it limits its capacity to act in precisely that area. Whenever employee motivation is particularly strong, change becomes particularly difficult. If a company relies on its ability to adjust to constantly changing conditions in the marketplace or its environment, the need to ensure that employees personally identify with each new set of circumstances can be a considerable burden.

### *The Appeal of Activities*

Yet another way to retain members is to offer them attractive activities. One need only think of volunteer fire departments, disaster relief organizations, or the Red Cross or Red Crescent, which foster loyalty among members primarily by providing interesting work assignments. Or of activity staff at vacation resorts, who are primarily motivated by the opportunity to do fun things on the beach for which others gladly pay.

A number of organizations create strong bonds with their members almost exclusively by offering them attractive activities. People become members of soccer clubs because they like playing soccer, they join sailing clubs because they enjoy being out on the open sea, or they start cigar-smoking clubs to pursue their addiction in spaces free of zealous anti-smokers. In such cases, the opportunity to participate in an activity is the members’ specific reason for joining, and they are often even prepared to pay for membership.

The attraction of an activity may be matched by the appeal of the organization's goals, though this need not always be the case. People who are involved in church youth work or who care for the handicapped often say that they view the goal of the organization as meaningful but also enjoy the work itself. By comparison, activity staff at seaside resorts, graphic artists in advertising agencies, or professional basketball players may take pleasure in their work, but will find it difficult to convince their friends that they strongly identify with organizational goals.

From an organizational perspective, the attractiveness of work offers similar advantages to employee identification with goals. If people take pleasure in an activity, it presents an opportunity to reduce their pay or even dispense with pay altogether. One need only think of "dream professions" such as commercial design, singing, or acting. Because they are attractive, they generally pay poorly. In addition, organizations can forgo monitoring their member's motivation because activities are perceived as attractive. Critics disparagingly describe attempts to make work assignments more attractive as "cow sociology" or "cow psychology" because they are based on the assumption that happily grazing cows will produce more (and better) milk.

The disadvantages of this form of motivation should also be clear. Organizations that motivate members primarily through the attractiveness of their activities face major restrictions. After all, they must ensure that all of the required activities have a high fun factor—or at least that some of the activities have such a high fun factor that members are also willing to perform the less attractive, mandatory ones. Because only a few organizations can offer activities that are attractive across the board, this method generally plays only a secondary role in motivating membership.

### *Collegiality*

Yet another way to retain members in an organization is through strong collegial bonds. Organizational research has repeatedly attempted to show that the members of organizations are more content and more

willing to work productively when they form close ties with colleagues. According to followers of the human relations approach, the need for contact and relations with others is satisfied by colleagues.

During the Second World War, Edward A. Shils and Morris Janowitz (1948, 280ff.) conducted research on the strong motivational effect of bonds between members of an organization. Based on surveys of German soldiers, they came to the conclusion that the main source of motivation in combat was not support of Nazi ideology (motivation through identification with goals), pleasure in killing (motivation through activities), higher pay or looting opportunities (financial motivation), or the fear of punishment by Nazi enforcement authorities (motivation through force). Instead, it was based on a sense of duty to a group of comrades. When these close relationships were torn apart by mounting casualties as the war progressed, there were signs of disintegration in the Wehrmacht, a growing inclination to desert, and a rapid decline in loyalty to the organization.

The advantage of motivation through bonds is obvious. Colleagues can have a strong disciplining effect on other members of an organization. After all, they are likely to intervene with advice, warnings, or sanctions when other members violate their duties. Because the enforcement of the norms established by colleagues tends to take place in the shadows of the formal order, such enforcement is often more effective—and harsher for the affected—than an official threat of punishment or termination from a supervisor.

Nevertheless, collegiality-based norms can also turn against an organization and prove disadvantageous from an organizational perspective. The expectations of collegiality that arise in cliques and other small informal groups can lead to pressure being applied to people to deviate from the forms of behavior expected by supervisors. According to Renate Mayntz (1963, 130), collegiality-based norms can “dampen the pace of work,” “reward insubordination to supervisors by granting recognition,” and cover up lapses that are problematic for the organization.

As a rule, the prospect of strong bonds alone does not create sufficient motivation for people to join an organization. A company, public administration, or NGO will probably not succeed in attracting mem-

bers if its only recruitment tool is a pleasant working environment and it is unable to pay an appropriate salaries, use force, or offer a truly attractive goal or appealing activities. At the same time, good relations among colleagues can be very useful in reinforcing motivation in members who have joined for other reasons.

### *Combinations, Shifts, and Conflicts*

The catalog of different types of motivation can be used to distinguish different types of employees based on their predominant motivation type—an approach that is particularly popular in the field of psychology. We might, for example, distinguish between employees who strongly identify with organizational goals (those who are genuinely convinced, for example, that the dandruff shampoo produced by “their firm” really is the best) and the “mercenaries” (e.g. those who may be productive workers but are motivated solely by money and would not hesitate to switch to a competitor if offered better pay).

Distinctions between forms of motivation can also be used to classify organizations. *Normative organizations*, for example, are those that people join to implement political, religious, or cultural ideals. They are characterized by intense member identification with organizational goals. *Utilitarian organizations*, by contrast, are those that motivate their members through salaries, bonuses, or other incentives. And, finally, *coercive organizations* are willing to “motivate” their members through imprisonment, corporal punishment, or death (see Etzioni 1961, 23ff.).

Nevertheless, attempts to identify personnel and organizational types according to the five types of motivation are not very satisfying. First of all, they tend to classify people along the lines of “What organizational type are you?” while overlooking the fact that it is precisely the combination of different motivations that is interesting. Second, they create simplistic caricatures of organizations by postulating just one form of motivation per organization. It is most revealing to use the catalog of membership motivations to determine combinations, shifts, and conflicts in motivational situations.

As a rule, organizations employ a combination of methods to motivate their members. Businesses that reward members primarily in monetary form may also attempt to communicate the meaningfulness of their goals, even if these goals involve the production of sanitary napkins, breakfast cereals, or land mines. The military, which recruits its members through coercive measures during times of war, may attempt to convey the purposefulness of a war and offer, in addition to a salary, monetary rewards at the cost of the defeated population. The charm of a strong identification with goals is that organizations do not necessarily have to pay their members, but can in certain cases even extract payment from them. Often, though, further incentives are necessary besides goal identification to produce motivated dedication. For example, an important inducement to become active in a political party is the access it provides to lucrative jobs.

Furthermore, the core motivational situation in an organization may shift. Many political organizations are founded as initiatives by unsalaried individuals who strongly identify with goals, whether these involve protecting seal pups or preventing pharmaceutical exports to developing countries. At some point, the only reason these organizations continue to exist is that with increased size and opportunities to acquire government or private funding, they provide a livelihood for an ever-growing number of members. The organization is then damned to permanence. Politically committed members whose convictions were the initial reason to join an action group for development policy, a liberal or conservative political party, or a fascist splinter group may at some point realize that their involvement offers the chance for full or part-time employment. When this happens, the economic motivation may convince them to remain a member, even though their identification with the organization's goals has waned. In the past, sports clubs such as Manchester United may have motivated their players with the attractiveness of the activity, but with increasing professionalization, they were able (or forced) to motivate them with money. By contrast, the initial reason for joining a soccer team—the pleasure in playing the game—may come to be replaced by another motivation, such as enjoyment in the company of others who love the sport. In such cases,

the formerly enthusiastic soccer goalie may end up as a potbellied bench sitter who looks forward to drinking beer in the pub with his mates after the game.

The situation becomes particularly interesting when motivation-related conflicts arise between members. The management teams of disaster relief organizations, the Red Cross, or the Salvation Army operate under the “self-evident” assumption that identification with organizational goals is a factor that inspires the majority of members to rescue the injured, treat the sick, or care for the disabled. At most, they reimburse workers for incurred costs. They are then taken by surprise when emergency medical technicians or the staff at homeless shelters criticize them for not even paying minimum wage. In many political youth organizations, the lack of knowledge about the party platform is a sign that the recruitment of the next generation is not driven by identification with goals but rather by the prospect of exciting parties, attractive sex partners, or fast-track careers. Because of the mixed motivational background, true believers, careerists, and party animals collide. All must, in an arduous process, reach agreement on a mixed organizational focus that can integrate these different reasons for joining.

Leaving the heterogeneity of motivations aside, one point remains important: in their daily operations, organizations are largely able to abstract from their members’ motives (Luhmann 1964, 42). Regardless of what induced a person to join a company, an association, or a political party—identification with goals, the prospect of financial reward, or the good working atmosphere—the organization can expect its members to abide by the rules for as long as they wish to remain affiliated with the organization (Luhmann 2010, 200). Thus, all discrepancies notwithstanding, an organization can expect a “homogenized motivation for membership.” Only in exceptional cases does it need to perform the burdensome task of examining why individuals joined the organization (such cases may include employee crises or conflicts between management and employee representatives). As Niklas Luhmann succinctly remarked, “Soldiers march, secretaries type, professors publish, and political leaders govern—whether it happens, in this situation, to please them or not” (Luhmann 1982b, 75).

### Limitations of Membership

To go by the often idealized descriptions of organizational life back in the “good old days” after the Second World War, it was a whole lot easier to clearly define who belonged to an organization. When people began their working lives—or so it appears in retrospect—they joined an organization such as Ford Motor Company, the postal service, or a municipal government and remained until they retired. Because this generally entailed being tied to one place, they also became lifelong members of the local sports club, the church choir, or the local chapter of a political party. In addition, they remained loyal to the same political party their entire lives, as suggested by many accounts that romanticize the period.

On the other hand, if we take a look at actual analyses from this period, such clear definitions of membership seem questionable.

#### *The Fuzziness of Organizational Membership*

Because “normal” employer-employee relationships—i.e. full-time permanent employment in a company, public administration, or hospital—are no longer the rule, researchers are finding it increasingly difficult to arrive at a clear definition of who belongs to an organization. Atypical forms of employment, which are often based on limited-term contracts, part-time work, or a decoupling of the hiring firm from the de facto workplace, have become ever more typical in the brave new world of work. At the same time, there are signs that “normal membership conditions” are also disappearing from political, labor, and cultural organizations. Instead of remaining a member of the Republican or Democratic Party for life, people may now work for a particular campaign or donate to a specific party cause.

The practice of labor leasing is a good example of the growing difficulty of classifying membership. In labor leasing or temporary work, a leasing company hires employees for the long term and leases them out for short-term assignments. The employer-employee relationship



between the leased worker and the labor-leasing firm is separated from the work relationship between the worker and the hiring company. As a result, the hiring company gains flexibility and can acquire or eliminate personnel quickly. However, it is difficult to determine to which of the two entities we should assign the activities of the temporary workers.

Contemporary analyses describe this development with terms such as “one-person company,” “entreployee” or “Me, Inc.” In their view, everybody markets their own “stock” and is responsible, as an independent brand leader, for the development of the product “Me.” People no longer view themselves as members of an organization—as an organization man (or woman) or a corporate man (or woman). Instead, they increasingly assume the role of “entrepreneurs within the enterprise.”

According to this view, developments are leading to difficulties in defining who still belongs to an organization. Can the staff of the corporate cafeteria still be considered members of the company if the cafeteria has been set up as an independent service firm that is wholly owned by the company? Who is accountable for the mistakes made by someone who is employed by a temporary employment agency but has worked for the same automobile manufacturer for years? The agency or the manufacturer? Let us imagine that, during the helter-skelter boom of the dot-com industry at the turn of the millennium, a journalist simply sat down unasked at a computer every day in a rapidly growing e-commerce venture, talked with employees about programming problems, and at some point was asked whether he wanted to be paid for his presence. Can we view the journalist as a member of the company? If a consultant works on a fee basis in an organization for an extended time, does she count as a member?

### ***Organizational Boundaries Become Fluid***

The difficulty of assigning people to organizations is aggravated by increasingly rapid cycles in which diverse operations are outsourced and then partially reintegrated into the organization. Internal functions such as security services, the cafeteria, and data processing are

first handed over to external service providers and suppliers, only to be reintegrated at a later date.

Outsourcing allows organizations to create market relations in areas that previously involved internal negotiation processes between departments. The process is driven by the hope that competition between various providers will lower costs and increase quality. However, when organizations realize that the cost savings are paltry, that their ability to exert control has decreased, and that they have surrendered their core competencies, these problems often convince them to return to performing the services themselves or to buy out the external service provider. Then the situation once again involves relations within the organization as opposed to relations between organizations.

Outsourcing and insourcing are not new phenomena. After all, even decisions such as commissioning the postal service with the delivery of a letter, rather than delivering it to the addressee oneself, represents a classic decision between “making” (delivering the letter oneself) and “buying” (purchasing delivery as a service). What appears to be new is the speed with which organizations alternate between outsourcing and insourcing. For many businesses today, shifting back and forth between the two poles seems to have become business as usual.

This back and forth can be observed in the logistics of automobile manufacturing. Car companies used to organize the flow of parts to assembly lines themselves, but then these logistical functions were largely outsourced. For a time, external companies delivered the parts directly to the production lines, where they were installed not only by the car manufacturer’s employees, but also by subcontractors. Because many of these external suppliers were unable to adapt to production complexities, production-related logistics were partly reintegrated. Some automobile companies constructed new distribution centers so they could take control of logistics again—which presumably will continue until the outsourcing of logistical functions is once again in favor.

As researchers have noted, the rapid alternation between insourcing and outsourcing makes it difficult to determine whether the units that provide a service for an organization should be classified as inter-

nal departments or as external partners. How should we classify the employees who make daily deliveries of parts to the production line for an external company? If a group of data processing specialists has been officially outsourced but continues to provide on-site services from their old offices, who will they identify with? What about the employees who have been outsourced and reintegrated a number of times?

### *The Formation of Organizational Networks*

The formation of organizational networks makes it even more difficult to clearly define the boundaries between organizations and to assign membership. In economics, the term “network” refers to collaborative forms of R&D, production, and sales that exist beyond the invisible hand of the market and the iron fist of a hierarchy. In politics, networks can form when various left-leaning organizations join forces to combat right-wing extremism or when right-leaning organizations work together to fight left-wing extremism. In academia, it is common for networks to form between universities, research institutes, and companies—particularly when the goal is a reputation for excellence (see Bommers/Tacke 2005, 282ff.).

In contrast to organizations, networks have poorly defined contours. This makes it hard to determine who—in terms of the *social dimension*—is actually part of them. Whereas collaboration in networks is frequently established in a contract, the network itself generally arises in fluid fashion as project ideas gel, talks intensify, and people begin to collaborate on a more regular basis. As a result of agreements, subcontracts, or collaboration in projects, additional partner organizations are brought into the network. At the same time, other collaborators drop out—often without realizing it or without the other partners noticing—simply because they no longer participate in the same way or because their attendance at meetings grows irregular.

The *time dimension* is another area where networks are not as easy to define as organizations. Cooperative endeavors in networks often

have an “official” beginning when representatives from the various organizations meet for a kick-off conference, the signing of a contract, or the first joint appearance before the media. But by then, collaboration between the network partners has normally already begun in the form of exploratory talks or pilot projects, or on the basis of previous cooperative ventures. Another typical feature of network collaborations is the lack of formal termination. They either run their course unnoticed or transition seamlessly into a new cooperative venture.

The last characteristic of networks is that there is often a lack of clarity in the *factual dimension*, i.e. the tasks to be performed and the people performing them. Because work relations often cannot be defined clearly in contractual form and no hierarchical authority exists, many network partners are left with the impression that they do more than others. To quote an common saying, a network is like a huge inflatable cushion—“Everybody’s trying to inflate it, and everybody thinks they’re blowing harder than the others.”

With organizations forming a larger number of networks and cooperation within organizations yielding to collaboration within the networks, it has become more difficult to classify staff. Do people feel a connection with the network or with their home organization? How can their affiliations be managed when they are simultaneously members of different participating organizations, as is often the case? If people (and, going one step further, their work) are so difficult to classify in networks, who owns the goods and services produced by a network? Given this degree of indeterminacy, how can the gains from a network be shared?

### **Conclusion: A Closer Look at Organizational Boundaries**

In light of these developments, how important is the category of organizational membership? Is it still relevant to current sociological discussions of the “disintegration of organizations,” “the dissolution of organizational boundaries,” or “networks as structural forms beyond the market and beyond hierarchies”? Given the emergence of virtual

networks that encompass many independent collaborating employees, is it still possible to discuss membership as a central organizational criterion? Has the disappearance of the normal nine-to-five, five-day-a-week job eroded the role of membership?

Due to questions such as these, there is a tendency in organizational research to relativize the concept of membership or even to abandon it entirely. In such cases, organizations are understood as loose networks in which people come together for highly specific projects. Scholars have predicted a trend toward “boundaryless organizations” (Ashkenas et al. 1998) and noted an increased number of “virtual organizations.” Ultimately, this raises the question of whether organizations are “dis-integrating.”

In fact, the opposite seems more plausible. Because the definition of membership has been called into question, there has been a more intense examination of just what constitutes an organization. Increased virtualization, the permanent shifting of boundaries, as well as the erratic setting and elimination of boundaries appear to be resulting in these boundaries being scrutinized more closely. If companies increasingly employ temporary workers, then even more energy will be expended on defining where the temporary agency’s responsibilities end and the borrowing company’s responsibilities begin. If universities award a growing number of teaching assignments on the basis of short-term contracts or give them to adjuncts with highly specific service contracts, then the staff in charge of such matters will begin to wonder which of the adjuncts’ rights and obligations qualify them for the same treatment as “regular” university employees.

Organizations cannot dispense with observing people’s actions from the perspective of membership. Even if companies, public administrations, universities, or churches are constantly redefining what “internal” and “external” mean and some individuals are ambivalently classified, it does not mean that membership as a category loses its orientational value. Managing membership and deciding where to draw boundaries requires all the more attention and takes on all the more importance as a central means of shaping organizations.

## 2.2 Goals: On the Role of Purpose and Strategies in Organizations

Organizations are highly imaginative when it comes to formulating goals. “We will increase our market share in South America from 7 to 8.5 percent.” “Next year we will reduce discards by ten thousand items per year.” “Our management will ensure that all of our employees are satisfied and that we’ll never lose more than one employee per month.” Such goals are typical for companies. In labor unions, by contrast, one might hear statements like “We will gain eight hundred new members in three months” or “The strike on the West Coast will lead to wage increases of at least 4.5 percent.”

When companies, public administrations, hospitals, or branches of the military attempt to define their long-term goals, they commonly refer to the process as “goal identification” or “strategy development.” Often the task of top-tier management is to prepare the organization for new goals by developing a strategic vision (see Chandler 1962, 15). Consulting firms focus on strategy processes in which they critically examine the goals of the client organization and, if necessary, suggest alternative focuses.

What functions are performed by goals or—to use management jargon—strategies?

### Organizational Blinders

We can use a thought experiment to illustrate the function of goals. In principle, an organization is free to choose any goal it wants. It might provide free medication for children in developing countries and solicit public donations to meet that end. It might increase its profitability by selling expensive but ineffective vitamin drinks to concerned parents. Instead of vitamin drinks, though, it could also sell milk drinks for children—perhaps the profit margins are even greater. Or it could use vitamin drinks for children as a means to disseminate information on healthy nutrition during early childhood. It could decide that children

are entirely irrelevant and advocate on behalf of independent window cleaners, write the history of a city neighborhood, or prepare for the next mission to the moon. In terms of selecting a potential focus, organizations find themselves, at least theoretically, in a realm of unlimited possibilities.

But even if the resources and the will to achieve all of these goals existed simultaneously, the organizations would still be forced to concentrate on only one or two of the many possibilities. As soon as a debate begins over which goal should be favored in the event that several are contradictory, or which goals deserve particularly large allocations of resources, the organization will be forced to narrow its range of choices. Such determinations made within a theoretically unlimited array of possibilities are referred to as *goal setting*.

### ***Setting One Goal Always Implies Forgoing Another***

Setting goals always implies a dramatic narrowing of an organization's horizon. Goals focus attention on a handful of possible aspects that appear to be important, while filtering everything else out. Goal setting emphasizes the overriding importance of one particular aspect, though always at the cost of ignoring, if not actually undermining, a large number of other potential angles.

In that sense, we can refer to strategies or goals as an organization's "blindness" (see Luhmann 1973a, 46). Like horses that have a wide field of vision due to the lateral position of their eyes, organizations have the option, at least in principle, of an all-encompassing view. And just as blinders keep horses from being distracted from what is behind or on either side of them, so too does goal setting prevent organizations from becoming confused by the plethora of possibilities.

Goal setting—or putting on blinders—produces a highly simplified view of the organization's environment (see Luhmann 1973a, 192). If a company's goal is to become market leader in hard drives, then it does not need to think about alternative markets such as display screens or CPUs. If the purpose of an army is to protect the population from

attacks by neighboring states, then military command does not need to concern itself with alternative goals such as quashing revolts in the interior or preparing for military interventions in other countries.

### ***Goals Mobilize the Choice of Means***

The narrower horizon resulting from goal setting fulfills yet another important function. It allows the organization to focus its efforts on reaching the goal and gets its members to think about the best means for accomplishing this task. If the sociology department of a university sets itself the goal of recruiting the best bachelor graduates for its master's degree program, this gets the creative juices flowing among administrators and teaching faculty as they attempt to come up with the best methods to attract these students. If a company's goal is to rank among the top three manufacturers of agricultural vehicles worldwide, it can compare itself to other companies in the industry and use a benchmarking process to determine whether there might be other, even better methods of producing tractors.

There is an old saying that the ends justify the means (see Luhmann 1973a, 46). After all, the function of goals is to mobilize creative thinking to choose the appropriate means. Generally speaking, though, the range of potential means is always limited. If the managers of a company that manufactures hydroelectric power plants announces that its goal is to secure a dominant position in the Greek and Turkish markets, it is doubtful that bribery would be considered a legitimate means to achieve that goal.

Taking a look at the means that an organization considers acceptable for achieving a goal tells us a lot about the organization. Do the security forces of a country respect the prohibition of torture, or does the alleged or actual threat of terror cause such desperation that they will resort to almost any means? Is the development of a new cancer medication so crucial to the survival of a pharmaceutical manufacturer that it will issue a directive to develop a suitable drug regardless of the cost, or will it issue clear instructions setting maximum costs?



In organizational research, the search for the optimal means to achieve an end is called *instrumental rationality*. Here rationality does not refer to the choice of the goal, which has already been set, but to the search for the appropriate means to accomplish the goal. The goals themselves may appear highly dubious to observers—constructing internment camps for political dissidents, training suicide attackers, or manufacturing hairspray. Nevertheless, we can attribute a high degree of instrumental rationality to an organization if it chooses the means to achieve its goal as effectively and efficiently as possible. As formulated by the sociologist Max Weber, acting in an instrumental-rational manner initially entails weighing different goals, giving consideration to possible adverse side effects, and selecting the most appropriate means to achieve the defined ends (see Weber 1978, 26).

### The Difficulty with Goals

A number of organizational researchers view goals as so important that they see organizations as nothing more than the means to achieve an end. For example, the philosopher and sociologist Theodor Adorno (1990, 441) characterized organizations as deliberately established and managed purposive associations. For the sociologists Peter M. Blau and Richard W. Scott (1962, 5), the characteristic feature of organizations is that they are explicitly created for the purpose of achieving certain goals. The sociologist Amitai Etzioni (1964, 3) defines organizations more directly as social units created to “pursue specific goals.”

Unfortunately, things are not that simple. While it is true that goals exert a significant structuring effect on many organizations, they frequently play a much more complex role than purpose-oriented definitions would suggest.

### Conflicting Goals

Organizations often embrace a variety of goals, which implies that these goals are compatible with or even support one another. For example,

the president of a university might simultaneously promote excellence in research, an outstanding academic education for students, and targeted preparation for professional life—suggesting that all three goals can be optimally achieved at the same time. In practice, however, organizational goals often clash.

Companies may set themselves goals such as running profitable business operations, tapping new markets, developing fundamentally innovative products, treating their employees well, and serving their community. Such goals may be compatible in the very distant future—in a perfectly implemented market economy, a classless society, or heavenly paradise—but they currently compete with one another. The development of innovative products squeezes profits over the short term and decreases the company's ability to pay dividends, wages, and taxes. Raising stockholder dividends is often achieved by paying lower wages or reducing investment in the development of new products.

Government-subsidized theaters are expected to present an attractive cultural program for a broad audience in the areas they serve. Ideally, the theater should sell out every evening. A municipal theater could easily achieve this goal if it could use its public funding to stage musicals such as *The Lion King*. A full house would be guaranteed, and in good years money would even flow back into the city's coffers. But municipal theaters are also expected to promote innovative artistic works, which often means lowering expectations of filled auditoriums or inexpensive ticket prices. The art of theater management involves juggling such conflicting goals so the theater does not deteriorate into a production mill for Andrew Lloyd Webber musicals or is not constantly required to request additional funding from the city.

There may be organizations that pursue a single, clearly defined goal and, as a result, are in the position to optimize every decision on how to efficiently and effectively accomplish that goal. However, organizations normally strive to achieve a multitude of often contradictory goals, which prevents them from becoming totally streamlined operations.

### *Goals as Window Dressing*

As Niklas Luhmann recognized early on, not all goals are sufficiently self-explanatory or clear that it is possible to derive the proper or best means to achieve them (see Luhmann 1973a, 94). Slogans such as “the customer is king,” “humanize the workplace,” “maximize profit,” and “protect our environment” represent abstract behavioral expectations at best. The question of which behaviors are expected in a concrete situation is not addressed. If we are simply told to “maximize everything that’s good,” we will have difficulty deriving instructions for specific situations. The same applies to the slogan “protect our environment.” How far should we take it? Are we allowed to kill somebody, if necessary, to achieve this goal? And what are we supposed to do if our actions are aligned with “the customer is king,” but hurt other employees, the company’s most important resource?

Abstractly formulated goals, which we might also call *values*, are often not intended to serve as a set of instructions for specific actions but instead to generate acceptance of the organization in its environment (see Meyer/Rowan 1977, 340ff., and, earlier, Luhmann 1964, 108ff.). If business executives in a capitalist economic system do not aggressively affirm the goal of profit maximization, they will presumably raise the hackles of shareholders, just as a labor union functionary will run afoul of labor activists if she does not strive to achieve the objective of effectively representing union members, or at least communicate that she is doing so.

As a result, organizations often become veritable “affirmation machines,” regularly embracing every conceivable social value that is in fashion, but barely allowing these values to influence their behavior. Loud declarations of belief in environmental protection, occupational safety, gender equality, or the advancement of minorities are not automatically followed by appropriate actions.

On the contrary, the greater the opportunity to gain acceptance in the environment through abstract formulations of value, the greater the problems organizations have when these values need to be implemented in the form of concrete actions (see Luhmann 1982a, 26ff.). The prob-

lem is that, as a rule, the requirements of building external acceptance and the internal need to have precise decision-making instructions are mutually exclusive. Organizations usually solve this problem by doing both: affirming a multitude of appealing values to the outside world while setting goals internally that are at best only loosely associated with these values. These two strategies are incompatible, but that is another story.

### *Changing Goals*

As organizational researchers realized just after the Second World War, goals do not offer a suitable point of departure for analyzing organizations. The reason is simple: even the most fundamental goals can be modified (see Blau 1955). As the example of Nokia shows, a company may start off manufacturing rubber boots, then switch to producing gas masks and communication cables, and end up developing, assembling, and selling mobile phones. Firms that produce steel pipes may modify their goal such that they come to be viewed as experts in operating cell phone networks.

Naturally, organizations such as companies, public administrations, or hospitals do not enjoy unlimited freedom when it comes to changing their goals, if only because they may have invested large sums of money to purchase machinery, provide training and professional development programs for personnel, or develop processes. This means they cannot retool for a different purpose without considerable disruption. It may be possible to beat swords into plowshares, but not into computers. With some effort, engineers can be retrained to work as call center employees, but they cannot be transformed into an elite combat unit. In this context, economists speak of “sunk costs”—resources that have already been spent on certain things and that are simply no longer available for other purposes. Nonetheless, despite the commitments that organizations enter into through previous decisions, the speed at which they sometimes revamp their goals is fascinating.

The alteration of goals often takes place unobserved by customers, employees, or suppliers—and occasionally even by those at the top of

the organization. At a cursory glance, we might characterize McDonald's as a chain of fast food restaurants whose goal is to sell hamburgers, French fries, and warm and cold caffeinated beverages as profitably as possible. In reality, McDonald's is one of the world's largest real estate lessors, with property holdings valued in excess of thirty billion dollars. The company's business model is based on making real estate available to small-business owners and not only earning revenues from the use of the McDonald's logo and the sale of frozen meat patties, but primarily from handsome rents and leasing fees. Harry J. Sonneborn, the gray eminence advising McDonald's CEO Ray Croc in the company's early days, once expressed it succinctly in a statement for banks: McDonald's, he said, was not a player in the fast food industry, but mainly active in the real estate sector.

There are many reasons for changing goals: new laws, sudden changes in management priorities, the outsourcing of individual departments, the achievement or nonachievement of previous goals, or innovations that occur as byproducts of other research and shift the organizational focus. It is worth examining some of these in greater detail.

### *Reaching a Goal*

Organizations frequently set themselves goals that can never be fully achieved, such as saving souls, educating children and adolescents, or feeding the hungry. People will always sin, children will always be born, and feelings of hunger will always return. Other organizations have achievable goals, such as eliminating disease, building interstate highways, introducing women's suffrage, or eradicating an ethnic minority.

If organizations were vehicles for achieving goals—as envisioned in the traditional instrumental-rational approach—they would actually have to be dissolved once the goal was met. However, a large number of studies show that organizations continue to exist even after they have accomplished their original mission. Evidently, after a goal is reached, it unleashes a great deal of creative energy that is used to determine what additional goals can be pursued.

The March of Dimes Foundation is an impressive example of such tenacity. Its original purpose was to fight polio. With its large fundraising events, it was able to collect many small donations (“dimes”), which were used to finance medical research on polio. When a polio vaccine was discovered, the disease was largely eradicated, and the foundation’s mission could be seen as accomplished. But instead of disbanding, the organization set itself different goals such as discovering genetic defects in newborns and providing care for preemies (see Sills 1957). March of Dimes was so effective as a fundraising organization and its brand was so well known among public donors that it apparently could not die. Instead of simply dissolving, the organization formulated a new set of goals such as supporting basic virological research, designing new professional education programs at medical schools, and developing programs for the handicapped.

### *The Failure to Accomplish a Goal*

In the case of organizations that have apparently accomplished their goals, one might argue that they should remain intact as special-purpose task forces. After all, they have already proven their efficiency. However, if an organization has patently failed to attain its goal, this argument no longer holds. Nevertheless, empirical research shows that many of these organizations survive their failures.

A good example of persistence in the face of obvious failure can be seen in the organizations that are often established to bring a major event to a city or country. When the German cities of Düsseldorf, Frankfurt, Hamburg, Leipzig, and Stuttgart competed to host the 2012 Olympic Games but were ultimately eliminated from the bidding process, one might have expected the organizations in charge of submitting their tenders to be dissolved. However, some of these organizations—which were established for a highly specific project—continued to exist. They redefined their goals and began marketing their cities to tourists, promoting local sports industries, or pursuing other forms of urban development. Once an organization

is founded, its capacity to persevere and generate imaginative new goals often appears to override any disappointment felt over a clear failure to reach a goal.

This point is further illustrated by the somewhat abstruse example of the UFO sect led by Chicago housewife Marion Keech. Strongly influenced by the Scientology founder and science fiction writer L. Ron Hubbard, Keech announced that she had received a series of messages from outer space informing her that a major flood would inundate the earth on December 21, 1954. Before the flood arrived, she and her small circle of followers would be removed to the safety of outer space by a flying saucer. The social psychologists Leon Festinger, Henry Riecken, and Stanley Schachter infiltrated the cult by pretending to be true believers and observed its members as the scheduled time for departure with the extraterrestrials passed and the group was increasingly seized by despair. Keech ultimately broke down in tears and wept bitterly. The messages were read and reread in case some clue had been overlooked. One explanation after another of the extraterrestrials' failure to appear was considered and rejected (see Festinger/Riecken/Schachter 1956). At 4:45 am, Keech called the group together and announced that she had received a new message. In the style of an Old Testament prophet, she proclaimed that God had saved the world from destruction because the group, after sitting together the entire night, had spread so much light that it would not be water but rather light itself that inundated the earth. The UFO sect successfully survived the debacle and subsequently attempted to recruit further supporters.

It appears that one option is to recast a failure as a success by modifying or abandoning an organization's initial goals. If this is impossible—as in the case of the lost bid to host the Olympic Games—the strategy apparently shifts to identifying positive side effects that justify the organization's continued existence. Such reinterpretations often receive outside support, in part because they enable the sponsors of an obviously failed venture to show that their financial support did not go to waste.

### *Ends-Means Reversal*

According to the traditional instrumental-rational approach, means serve to achieve an organization's ends. In practice, though, means often acquire a life of their own. The ends for which means are originally developed are forgotten, and the means themselves begin to be enthusiastically pursued as if they now represented the organization's goal. For example, school examinations may be intended as a means to allow students to monitor their learning progress, but they can end up as the main reason students study. Church-sponsored youth groups, senior citizen clubs, and post-worship coffee klatches in the parish café can shift the focus of parish work from extolling God's greatness to socializing.

This type of ends-means reversal happens incrementally and may barely be noticed by the organization. For years, fundraising in academia was viewed as an additional way to finance expensive research at universities. No one would have confused raising money for research with the production of academically interesting research results. Yet due to the search for quantifiable measures of research success, attracting funds eventually became an end in itself. Nowadays, the solicitation of funds for major projects, collaborative research centers, or research clusters is a yardstick for academic excellence in its own right, long before researchers deliver their actual findings. As a result, when professors are appointed, questions about the amount of funding secured (e.g. "How many millions did you raise for your institute?") often appear to play a more important role than the quality of the candidates' publications.

Frequently, this type of ends-means reversal can only be observed and criticized externally. For example, one criticism of healthcare organizations is that when treating patients, they often lose sight of their true purpose, namely, restoring human health. Although good health is our goal when we go to a hospital, rehabilitation facility, or clinic, what we receive is medical services. According to Ivan Illich (1975), both doctors and patients confuse the means (medical services) with the end (good health). They overlook the fact that more "services" can lead to poorer health. From the patient's perspective, this certainly



can be viewed as an organizational pathology; from the perspective of organizational sociology, shifting attention from intended goals and refocusing it on procedures is just business as usual.

### *Seeking Goals after the Fact*

In studies of decision-making processes in organizations, criticism of the instrumental-rational model is even more radical. When portraying their decision-making processes to the outside world, companies, public administrations, and universities make it seem as if their first step is to define goals—through elaborate strategy processes, goal-setting workshops, or a decision by the CEO—and the next is to align all subsequent decisions with the achievement of these goals. They thus suggest that goals precede actions.

While this can definitely be true, in many cases the goal is sought only *after* action has been taken. A large body of research on organizational decision-making shows that organizations are constantly making decisions without being clear on the basis or reason for them. Once a decision produces an effect, the search begins for potential goals that might serve as suitable justification for the decision. According to the organizational sociologist James G. March, organizational decision-making behavior involves not only the goal-oriented activity of the organization's members, but also a continual process of finding goals to legitimize activities that have already occurred. In brief, the action often precedes the goal, and the announcement of the goal then serves to justify steps that have already been taken (March 1976, 72).

Examples of such after-the-fact goal definitions can typically be found in consulting projects where goals emerge only slowly. Companies, public administrations, and hospitals use tender documents and consulting contracts as a means to suggest that they have a clear idea (even *before* awarding the job) of the goals they wish to achieve through the consultants' efforts. There is no denying that some projects actually adhere to initially agreed-on goals, but if the consultants' activity produces unexpected effects, goals are often sought after the

fact to legitimize them. Upon completion of such a consulting project, the participants may declare that the goal was to investigate the need for new continuing education courses, when in fact the project was originally discussed in the context of performance-based compensation models.

Psychologist Karl Weick refers to this process of seeking goals after the fact as “sensemaking”—in other words, as a process of making heads or tails out of something. According to Weick, the sense of an action or decision is frequently constructed retroactively because we generally do not know what purpose an activity actually serves until it has been performed. The basic idea, which infuriates adherents of the instrumental-rationalist model, could be formulated as such: “How can I know what an organization’s goals are until I see the decisions that are being made inside the organization?” Weick concludes that the task of management is not so much to define appropriate goals and to derive the means to achieve them, but rather to create a framework within which the many diverse decisions made in an organization can be interpreted and ordered (Weick 1995, 9ff.).

### **Goals Represent Just One Structural Characteristic**

Adherents of the instrumental-rational model need not be confused by these diverse “contaminations” of their view of organizations as focused on goal optimization. If an organization continues to exist even though its original goal has been achieved, they can claim that supervisory agencies were negligent in their duties and call for the organization to be shut down. If ends-means reversals are discovered in an organization, they can propose during a strategy retreat that the organization return to its original goals. If focusing on two contradictory goals stands in the way of efforts to streamline operations, they can call for a clear strategy that divides the organization into two separate entities, each with its own well-defined goal.

In this way, adherents of the instrumental-rational model can immunize themselves against the uncomfortable questions raised by daily orga-

nizational practice—in line with the slogan: “If reality doesn’t match my PowerPoint slides and simplified means-ends models, too bad for practice.” Deviations are then seen by managers, consultants, and researchers as grounds to demand clearer goals, less ambiguous statements of purpose, or the elimination of all contradictory goals. Goals become a kind of fetish that organizational analysts never give up. To outside observers, it might seem as if Sisyphus is rolling a boulder up Purposive Rationality Hill, with the boulder repeatedly slipping out of his hands. One could note somewhat heretically, though, that it is precisely this eternal failure to meet demands for rationality that keeps our Sisyphus in motion—and is a source of employment for many managers and consultants. Presumably, this is, to a certain degree, a good thing (“blindness”) (Kühl 2020).

Nevertheless, this picture turns into a caricature if one clings to the fetishistic idea that an organization can be completely aligned with a goal. The view of organizations as dominated by ends-means relations may be clear, simple, and readily comprehensible, and it may make organizational analysis easy. Depending on the complexity of the problem, all that is needed to “calculate” the right solution is sufficient computing power and a large enough staff. Unfortunately, though, this view has little to do with organizational reality.

A more productive approach would be to examine the logic underlying all of these “contaminations” of the traditional purpose-based perception of organizations. What is the deeper meaning behind shifting goals, the continued existence of an organization after achieving or missing its goals, or the reversal of ends and means? What is the rationale for aligning an organization with several competing goals? Why is it impossible for organizations to forgo appealingly worded statements, even though they do almost nothing to guide decision-making?

### *The Rigidity and Arbitrariness of Goals*

Imagine if the dream of the instrumental-rationalists came true and organizations focused on a single goal. The resulting problems can be illustrated by a thought experiment in which we substitute people for

organizations. The question then becomes: what would happen if a person embraced a single goal?

The exclusive, rigid pursuit of a single goal would probably break a person. If a researcher believed that the sole meaning of life lay in solving one of the world's scientific mysteries, she would at some point have to be put on a feeding tube because activities as banal as eating would seem unimportant. In this regard, she would be externally forced to take other goals seriously. If a man thought only of sex and viewed every situation as an opportunity to find new sex partners—whether it was giving instructions at work, teaching university seminars, or agitating for a cause at a political convention—he would at some point become a candidate for Sex Addicts Anonymous, because his obsession would be perceived as inappropriate in most situations.

Nevertheless, people cannot treat goals erratically. The rigid pursuit of goals may be ruinous, but the inability to concentrate on a single goal, at least for a short period of time, is also potentially destructive. An employee who finds herself in a meeting devoted to marketing a new electric toothbrush will encounter acceptance problems if she is constantly (and not just briefly) distracted by other interesting thoughts such as the romantic experiences of the previous night, getting a record score on Pac-Man, or the full dishwasher at home that needs to be emptied. Conversely, an executive who is having a romantic dinner with his new love interest will encounter acceptance problems if telephone calls, text messages, or e-mails constantly remind him of his other responsibilities and he is no longer certain which “goal” he should actually pursue.

*Opportunistic goal setting* plays a dominant role in practical life—in other words, the abrupt adjustment of goals to suit existing opportunities and constraints (see Cyert/March 1963, 35f. and 118; and, for greater detail, Luhmann 1982a, 26ff.; Luhmann 2010, 226ff.). Depending on what pressures or opportunities present themselves, people switch back and forth between different goals. If they happen to be in love, they neglect work for a bit. Similarly, it is a well-known fact that the best books are written during phases when authors are not distracted by the daily chaos of a romance.

### ***Goals Are Just One Way to Create Structure***

Goals are *one* way to create structure in an organization, but they are not the only way. It might be the case that goals serve as parameters that guide the search for suitable staff or effective staff assignments. However, it can also be the case that an organization already has the right employees and is merely looking for suitable tasks (“goals”) for them.

From this perspective, contrary to what is suggested by the traditional instrumental-rational model, the many deviations from the focus on a single goal need not be seen as pathological. Rather, they can be viewed as expressions of organizational adaptability. Thus, the conscious or unconscious switching of goals, the continued existence of organizations after they achieve or miss a goal, ends-means reversals, and the use of goals to justify decisions after the fact can be interpreted as expressions of (to use a weighty word) the “intelligence” of organizations.

## **2.3 Hierarchies: An Organization’s Sacred Order**

In almost all organizations, hierarchy is something that immediately catches the eye. Even a quick glance at the organizational chart of Deutsche Bank shows us that its divisions, departments, and groups are hierarchically structured. For a while, there were twenty-six hierarchical levels in the US Army, from simple private in the E-1 category to five-star general, a rank that has only held been by George Washington and Dwight D. Eisenhower. And many government-sponsored aid agencies that boast about their flat structures have more than eight hierarchical levels for just a few thousand employees.

For a long time, hierarchy was uncritically accepted as the most important management and coordination mechanism for companies, public authorities, the military, hospitals, prisons, universities, and schools. This is also true, to a lesser extent, for associations, political parties, and organizations. With the exception of the rare democra-

tization efforts undertaken by organizations during the second half of the twentieth century, hierarchies were viewed as *the* management instrument for connecting complex decision-making processes. Acceptance was not limited to executives alone, who can be seen as the actual “hierarchs” in these structures. The majority of employees, whose role in companies is limited to receiving and carrying out orders, also accepted the central importance of the hierarchical structure. In operational practice, hierarchies do justice to their significance as a “sacred order” (the literal meaning of the word). It is thus only logical that organizations are often portrayed in a blanket way as hierarchies.

Why do hierarchies continue to play a central role in organizations if the hierarchical principle tends to be frowned upon in contemporary society due to the equal status of all citizens? Why do hierarchical top/bottom distinctions emerge in many collectively managed businesses once they have more than twenty-five employees? Why did the large-scale experiments with state socialism in the Soviet Union and Eastern Europe, which were ultimately based on the idea that all citizens were equal, continue to adhere to hierarchical principles in such entities as factories, public administrations, hospitals, and universities?

### Hierarchy Stabilizes Management

Theoretically, the formation of leadership structures in organizations could be left to the free play of forces within organizations. Every new decision could lead to a reordering of the hierarchy, with employees justifying why they are laying claim to a leadership role in a given situation. Depending on the particular matter at hand, first one employee, then the next might assume leadership. However, rather than assigning leadership roles on a case-by-case basis, organizations tend to establish stable hierarchies.

As a rule, hierarchies are created for an unlimited *time* period. Some models envision temporary stand-ins for managers, interim management teams, or the performance of managerial tasks on a short-term basis, but in general, every member of an organization can assume that

today's "hierarchy" will be in the organization tomorrow. No one will be surprised when the woman serving as CEO today asks her assistant to type a letter the next morning. Likewise, for the members of the organization who assume leadership roles, it is clear that the moment they accept this position, they will "permanently and attentively act as leaders" (Luhmann 1964, 208).

Furthermore, hierarchies determine precisely who is subordinate to whom. A hierarchically structured organizational chart regulates key *social* relationships within the organization and helps coordinate the behavior of individual members (see Luhmann 1964, 209). There will occasionally be employees who do not know exactly whom they answer to, and phases during which managers argue about who is in charge of which employees, but for the most part, such uncertainties about assignments are quickly resolved. If confusion or inconsistencies in the assignment of employees persist, it is up to management to sort them out.

In addition, hierarchies distribute *factual* responsibilities—not only horizontally among departments, but vertically among the various hierarchical levels. In principle, the responsibility for any issue may be shifted up the hierarchy. Except under extraordinary circumstances, though, hierarchs will generally not claim decentralized responsibilities, but will always retain both the option and the formal right to appropriate a decision below their hierarchical level and to declare a problem to be "a matter for the boss" (see Kühl 2017, 81ff.)

### ***Accepting the Hierarchy as a Condition of Membership***

A leadership structure becomes more stable when its acceptance is made a condition of membership. When people join and intend to stay in an organization, they must accept the instructions of their superiors even if these instructions do not seem to make much sense. Anyone who wishes to see for themselves how effective this mechanism is need only conduct a simple experiment: tell a superior that they are no longer willing to take orders and wait to see the reaction.

Acceptance of a hierarchy as a condition of membership has an important effect. Ultimately, when making decisions, managers do not need to rely on the respect of their subordinates as a basis of for exerting influence (see Luhmann 1964, 209). A military commander can send his troops into battle without having to be on the front line himself to motivate them. Those at the top of the hierarchy do not need to explain the purpose of every instruction to their subordinates—whether it involves a risky military operation, the expensive development of a new sandwich spread, or the legally disputed prosecution of copyright offenders. This enables organizations to place people in hierarchical positions who are professionally qualified but not particularly charismatic.

The idea that people higher up in the hierarchy do not need the respect of their subordinates does not go down well with many writers and readers of modern management literature. When Jeff Bezos, founder and longstanding CEO of Amazon, helps out in one of the company's logistics centers with his fellow executives during Christmas season, it is taken as a clear indication of how important it is for managers to serve as role models for lower-level staff. Management literature suggests that a senior officer who is respected only because of her position in the hierarchy but not as a human being will be unable to function effectively. All organizational experience, this camp maintains, demonstrates that whenever instructions are given, they must always be presented to subordinates as meaningful and convincing.

There is certainly little to be said against employees having personal respect for their superiors or carrying out orders based on the belief that they are correct. Often, though, this is only possible “in calm seas”—i.e. when business is good, drastic cuts are not being considered, and employees feel secure in their jobs. But organizations could not survive over the long term if their members only followed instructions that they thought were meaningful or that were given by charismatic leaders.

What potential is unleashed when hierarchies relieve executives of the necessity to gain the respect of their employees?



### *Alignment with the Demands of the Environment*

In the idealized view of organizations, their focus on the market, people, or the law is always linked to a focus on the happiness of each individual employee. Corporate CEOs and the heads of government agencies are fond of affirming that “inspired and inspiring” employees are the most important factor in achieving customer satisfaction. From labor union leaders we also hear (with a slight shift in perspective) that companies, public administrations, prisons, and the military can only achieve their goals if employees are adequately compensated for their work and feel comfortable in the organization.

But life in organizations is no bed of roses. The managers’ attitudes and behavior cannot be tailored to employees in a “benevolent authoritarian” way. Instead they must remain focused on the demands of customers, clients, or the electorate (Luhmann 1964, 210). And the external demands made of an organization frequently conflict with those raised from the inside—that is, from employees. Clients want to buy services at the best possible price, while employees want to receive a decent salary for their work. Customers want a contact person who is ideally available at all times, while employees want to go home at night.

Hierarchies enable organizations to adapt to the specific demands of their environments without having to make allowances for their members’ sensibilities. Corporations can ponder which markets they would like to enter without being forced to consider whether their employees would actually be willing to transfer to the countries in question. Churches can deliberate on what teachings are best suited to gaining and retaining believers without immediately doubting the willingness of their full-time professional personnel to comply every time a decision is made.

### *Enforcing the Unfamiliar*

In their self-descriptions, many organizations disseminate the idea that employees need to recognize the purpose of the changes that have

become “necessary due to new conditions in the environment.” As a result, they spend a great deal of time promoting their new focuses or justifying the reasons for selling a corporate unit. Yet almost all empirical studies show that attempts to increase acceptance through argument has its limitations, particularly when profound changes are involved.

Since hierarchies make it unnecessary for executives to have the personal respect of employees for support, management is able to make unpopular decisions that violate employee expectations (see Luhmann 1964, 209). Executives can transfer production units to foreign countries without assuming the consent of the affected workers. Managers can introduce new production methods even if it devalues the knowledge of longstanding employees, and they can begin developing and selling controversial products such as intermediate range missiles, nuclear fuel rods, or nonreturnable bottles without deferring to their members’ religious or moral sensibilities.

The ability of hierarchs to initiate new beginnings in their organizations is brought into sharp relief when we compare hierarchical organizations with others that can only use hierarchies to a limited degree. The latter may forgo hierarchies due to political convictions or because they are not in a position to pay members and therefore cannot demand that members subordinate themselves to a hierarchical structure. Empirical research shows that these types of organizations tend to be oriented toward maintaining the status quo; fundamental change poses enormous difficulties. Meanwhile, organizations with clear hierarchies can transform themselves in profound ways with greater ease (see March/Simon 1958, 194ff.).

### Cracks in the Hierarchy

The key role played by hierarchies has led to the emergence of hero-oriented management approaches that cast organizational successes or failures as the result of actions undertaken by individual executives. Ultimately, these narratives revolve around heroic men (and, increasingly, heroic women) who have all the right answers and can resolve

any problem. Examples include the biographies of corporate leaders such as General Electric CEO Jack Welch, military commanders such as Dwight D. Eisenhower, and politicians such as John F. Kennedy. At times these leaders may praise the contributions by ordinary workers, foot soldiers, or lowly department heads, but in the end, the organizations are overwhelmingly portrayed as hierarchies adeptly run by managers at the top.

Yet hierarchical reality differs from what the heroic accounts of organizations would have us believe.

***Information from the Environment Accrues Not Only  
at the Top: The Influence of Organizational Interfaces***

According to the traditional concept of hierarchical structure, the top echelons of an organization monopolize relevant interactions with the external world (Luhmann 1982a, 31ff.). But monopolizing external communications at the top probably works only in the smallest of organizations, where every business letter—as a symbol of external contact—crosses the boss’s desk for her personal signature. In such organizations, it may still be possible for every client to speak directly with the director, or for the director to be involved in every conversation with suppliers or partners and handle all contacts with state and local authorities.

As an organization grows larger, though, it must delegate more of its external contacts internally. Interfaces with customers, suppliers, partners, and the media are distributed widely across the organization. A company’s important customers are no longer handled by the CEO, but by “key account managers.” Press officers often find out first that “something’s cooking” in the world of the press because they—in contrast to their superiors—come from the same milieu as the journalists who are conducting research on their organization.

Staff members situated at organizational interfaces can use their direct contacts with the environment to increase their influence (see Crozier/Friedberg 1979, 51f.). They can spread information about

what the organization's partners are allegedly thinking. Their privileged contacts with suppliers, partners, or customers put them in a position to drop hints that an important partner is likely to pull out of a project if the organization pursues a certain strategy. This, in turn, gives them a chance to float their own preferred plans of action.

Executives may strive to have the information that accumulates at organizational interfaces channeled “upstairs,” not only so they themselves have access to this knowledge, but also to curtail the influence of the employees at the interfaces. According to this line of thinking, it is important for all relevant information to be gathered at the top. Elaborate computer-based management information systems may be installed to enable top management to control all pertinent information—as in an airplane cockpit. With this goal in mind, large administrative departments are sometimes established to compile information for top executives and break it down into bite-sized pieces. Or the entire organization may be trained to write brief summaries or one-page statements that keep top executives well informed while not inundating them with information.

However, despite these management information systems, administrative units, and training courses on how to write brief summaries, information from the various organizational interfaces is always reported to higher levels with a delay. Henry Ford, the founder of the Ford Motor Company and one of the trailblazing management thinkers of the twentieth century, explained that there was nothing more dangerous than the elaborate, clear communication channels suggested by corporate organizational charts. According to Ford, the charts were shaped like trees on which “nice round berries” hung, with each berry bearing the name of the person in charge; however, it took six weeks for a message from the “man living in a berry on the lower left-hand corner of the chart to reach the president or chairman of the board” (cited in Milgrom/Roberts 1992, 4).

Frequently, as information passes through an organization, it undergoes many changes (see Luhmann 2010, 202). At every step of the way, something is added, modified, or shortened so that by the time it reaches the executive suite, it often bears little resemblance to the

original information. This problem is illustrated by the case of an administrative employee who writes the first draft of a note but then barely recognizes this note after it goes through changes at the higher levels of the hierarchy. The process is somewhat reminiscent of the children's game of telephone, where the original message is no longer intelligible by the time it arrives at the end of the line.

When information is problematic—for example, when it involves the threat of losing a customer, problems with suppliers, or an impending change in legislation—lower-level employees may be reluctant to enter it into the information system with all its dramatic consequences. In many organizations, there is a fear, often justified, that the messenger will be “shot,” not the person responsible for the bad news. Because many leaders, whether in the military, companies, or government agencies, assume that they operate in an open communication environment, these filtering processes go entirely unnoticed. Those at the top often have only a vague idea of what is actually happening in the organization's environment.

***Lower-Level Employees Often Have Greater Expertise  
Than Their Supervisors: The Influence of Experts***

In the traditional view of hierarchical organizations, rank reflects the requisite professional expertise. In the event of an emergency, the human resources director is expected to be able to process pay slips, travel costs, and timesheets, and be proficient in the human resources software required for such processes. A head of state—again, according to this theory—will need to be so knowledgeable about the various aspects of foreign, domestic, legal, education, financial, and economic policy that she is not only able to assess the competence of her cabinet members, but also, if necessary, manage their departments.

Nevertheless, the specialization that emerges in most organizations makes it unlikely that directors will be as informed in all areas as their subordinates. The demands that arise in a given field of operation are so diverse that no single person can meet them all, not even the boss.

As a result, hierarchical authority and professional expertise can diverge (see Thompson 1961, 485ff.).

Of course, management can attempt to centralize expertise. From a Marxian perspective, the labor unionist and journalist Harry Braverman has noted that the rationalization strategies that have increasingly established themselves in companies, public administrations, hospitals, and educational institutions serve to separate work processes from the experience, knowledge, and traditions of manually skilled workers. The expertise of the working class, acquired over decades or even centuries, has been systematically transferred to management. Braverman suspects that the goal is to end dependency on the qualifications of workers, thereby allowing organizations to make their members entirely subservient to managerial goals, ideas, and plans (see Braverman 1974, 124ff.).

But such attempts have so far met with limited success, despite the trend toward written documentation of all essential knowledge, the installation of central computer-supported databases, and the use of business process management software such as SAP to manage the entire organization. The central storage of knowledge presupposes well-documented processes, but in reality a great deal of information is generated in a highly ambivalent, context-dependent manner and is difficult to record (Luhmann 2018a, 65). Much of an organization's knowledge exists in the shadows of central databanks; and even if organizations were to succeed in gathering most of this information in databases, only a small number of people would probably know how to access the relevant information. In fact, pertinent information will always be available only at isolated places, which will not necessarily be found at the top levels of the hierarchy.

Expert knowledge gives employees influence in organizations. For example, a well-known study of the French state-run tobacco industry, carried out by the organizational sociologist Michel Crozier, clearly shows that technical maintenance workers enjoyed a dominant position in this sector, as they were the only ones capable of repairing the highly complex machinery. As a result, they could largely determine how often the machines were out of operation and production was stopped, who

received preferential treatment for repairs, and how long it would take for production to resume. In practical terms, this knowledge gave them greater influence than shop stewards or even central management, whose goals were determined externally. At the same time, production methods were mostly fixed, and the powerful unions made it virtually impossible to fire or replace personnel (see Crozier 1963, 79ff.). As philosopher Francis Bacon commented in the late sixteenth century, “Knowledge is power.”

***Controlling Informal Communication Channels:  
The Influence of Gatekeepers***

According to traditional ideas, communication channels within organizations are controlled via the hierarchy. Managers determine who has access to whom, who confers with whom, and what contacts are prohibited.

Nevertheless, parallel to the communication channels controlled via the hierarchy, communication repeatedly flows along “well-beaten paths” that have *not* been set by the hierarchy. One need only think of the brief exchanges between employees from two different departments at the proverbial water cooler, the contacts that exist only because two people happen to have been members of the same training group years earlier, or the opportunities for communication that arise simply because employees find themselves at a place where various streams of information converge.

There is a tendency for those at the top of the hierarchy to formalize or at least attempt to influence such informal communication. Executives even attend special management seminars on the art of storytelling so they can incorporate a success story, an important lesson, or a particular perspective into the organization’s informal communication channels. Nowadays, or so it seems, one of the main tasks of PR departments is to familiarize employees and outsiders with “stories” about top executives. Organizations have started actively managing rumors so they can control internal talk and gossip.

However, all of these attempts reflect a certain helplessness. While it is true that some employees will listen raptly to the stories their superiors have written in storytelling seminars, most will simply chuckle in amusement. While some employees might studiously spread the rumors started at the top of the hierarchy, the very opposite can also occur, with “rumor management” showing distrust among staff. Informal communication channels are not the outcome of decisions taken by upper management. They emerge in a gradual, unnoticeable, and continuous process.

The control of an organization’s informal communication channels is an asset that ordinary employees can exploit to expand their influence. The person who controls rumors, talk, and gossip is the gatekeeper of important communication pathways in the organization.

### *Sources of Influence outside the Hierarchy*

The influence wielded by employees on the lower levels of the hierarchy comes mainly from sources within the organization. There may be cases where sales representatives are hired by an organization because of their excellent relationship with specific customers, but in most cases such positive relationships emerge through the activity at an organizational interface. Similarly, expertise on how equipment functions, on the special characteristics of software, or on the specific nature of chemical processes could have been acquired in an education program before a person joined the organization, but the knowledge relevant to the organization often results from years of actually working there. Even if informal contacts can occasionally be traced to outside contacts—university studies, membership in a fraternity, or weekend basketball games—employees’ personal networks generally consist of people they first met in the organization.

Although such sources of influence are largely linked to a position in the hierarchy, the organization cannot withdraw them. Top-level managers cannot simply transfer, to corporate headquarters, the productive relationships that exist at many of the interfaces. The employees’



expertise cannot be taken away, and organizations have only limited authority to force them to share it. Communication channels outside the formal structure are another area that eludes influence by the hierarchy. Productive external relations, expertise on the way things work, and contacts inside the organization are instruments that are by necessity privately owned. In contrast to other business resources such as computers, machinery, or buildings, they cannot simply be converted into organizational property (see Luhmann 1982a, 31ff.).

### **The Surveillance of Employees from above, and the Sousveillance of Managers from Below**

All of the factors described above—the often crucial external contacts cultivated at interfaces on very low hierarchical levels, the expertise at the bottom of organizations, and the control exerted by ordinary employees over informal communication channels—are the reason why the formal hierarchy depicted in an organizational chart is rarely a reflection of true power relations. In many cases, formally assigned authority and actual influence on decision-making differ significantly. As a result, we are often left with the impression that—to refer to a witty statement by Niklas Luhmann—organizations are characterized not only by the “surveillance of employees” from above, but also by an efficient “sousveillance of managers” from below.

#### *How Sousveillance Works*

As a rule, the sousveillance of managers is not prompted by intrigues or the desire to undermine their position. Nor is it an expression of personal antipathy. On the contrary—often the only way for organizations to function is if managers are effectively sousveilled. After all, they have only twenty-four hours a day at their disposal (time limitation), a limited number of contact opportunities (social limitations), and a relatively small amount of “gray matter” (knowledge limitations)—at

least in comparison to the vast number of employees below them. It is worth taking a closer look at these three limitations from a *sousveillance* perspective (see Luhmann 2018b).

In the *factual dimension*, managers are often overwhelmed by the task of compiling large amounts of relevant information. They therefore assign this job to their subordinates. These subordinates, in turn, exert a substantial influence over the managers' decision-making process through the information they share with them. After all, depending on the information they gather, consider relevant, and pass on to higher levels, they can make a certain decision seem like the obvious one to take. Their motto might be formulated as: "As long as I'm allowed to compile the information, my boss is welcome to make the decision and assume the responsibility for implementing it" (see Luhmann 1982a, 31f.).

As a result, in many cases, directives are not thought up at the top of organizations and handed down to lower levels in the form of orders, instructions, or requests. Rather, they simply formalize what has already been planned at lower levels. For example, we now know that decisions about the bureaucratic planning of the annihilation of Jews during the Nazi regime were often prepared at very low administrative levels in the Reich Main Security Office, before being formally approved by Reinhard Heydrich or Heinrich Himmler at the top. Key documents such as the instructions to prepare the "Final Solution to the Jewish Question," the invitation to attend the planning of the Final Solution at the Wannsee Conference, or, in Adolf Eichmann's department, the order to prevent Belgian and French Jews from emigrating all were first drawn up in the Reich Main Security Office and then signed by top Reich officials (see Lozowick 2002, 50ff.).

In terms of the *social dimension*, the options that managers have to maintain contacts within the organization are also limited. Managers do not have enough contacts to meet all the demands from their subordinates, colleagues, or their own superiors, let alone those of people outside the organization. One need only consider how little time managers appear to have in the eyes of their subordinates, and how grateful they are when the people under them keep appointments

brief, cancel meetings, or even take appointments off their hands. This is why it makes sense for employees, when collaborating with others, to use official channels as little as possible and for lower-level units to prepare solutions that are then simply presented to the respective managers for approval.

We know from organizational research on government ministries that senior officials have a preference for “coordinated documents.” Ministry employees attempt to follow what they assume are the intentions and evaluation criteria of executive staff, but because this form of coordination requires agreement among all of the departments, what frequently emerges are decisions based on the smallest common denominator. Then, rather than unraveling an arduously negotiated interdepartmental compromise, a minister will sign off on the smallest common denominator. Political scientist Fritz Scharpf (1993) refers to this as “negative coordination” because each unit will only examine whether the alternative decisions under consideration negatively affect the status quo. In the end, the option is chosen that entails the least pain for everyone.

When it comes to the *time dimension*, employees in public administrations, businesses, or hospitals often have the experience that managers are unavailable just when they need them to sign an important document, resolve a conflict, or appease a disgruntled customer. Traditionally, managers are considered the eye of the needle through which all decisions must pass, even when there is time pressure. As a result, manifold attempts are made to control the managers’ time and introduce sousveillance from below. Secretaries schedule their boss’s appointments, and employees use Outlook to block the time of their managers for important meetings. As people climb the hierarchical ladder, they appear to have less autonomy over their time.

Thanks largely to the realization of how important the sousveillance of managers is, views of hierarchs as heroes of the organization are now considered mythologies deliberately cultivated by organizations. Ideas of “post-heroic management” appear to be taking their place (see Handy 1989). Put simply, this concept sees the task of management as teaching staff to solve their own problems. However, in many cases, it

is merely a variation of the heroic manager theme, with the hero now assuming the role of coach, mentor, or enabler who willingly shares victory with staff members. In its advanced form, post-heroic management envisions managers who allow themselves to be led from below and are aware of their limitations.

In many cases, it is newly minted managers, in particular, who have not yet mastered the technique of allowing their subordinates to effectively *sousveil* them from below. They have been inspired by the autobiographies of great corporate leaders, spoiled by traditional management theory as it continues to be taught in many MBA programs, and influenced by many supposed management gurus whose mantra is “less management and more leadership.” As a result, these junior managers continue to associate leadership with top-down supervision. Nevertheless, employees have a wide range of possibilities to discipline their superiors into accepting *sousveillance*.

One proven method is to make the manager’s world smaller by regulating the flow of information. If the aim is to make a minister, CEO, or chief administrator aware that she is dependent on the information gathered and prepared by her subordinates, sometimes all they need to do is withhold (or withhold temporarily) one critical piece of information. At times it may be necessary to systematically cut off a manager from information flows and play dumb in response to an explicit inquiry (see Luhmann 1962, 22).

Conversely, employees can allow the complexity at the top to increase. Managers are dependent on many decisions being made or at least prepared in a decentralized manner, as the expertise to do so exists at lower levels. If a manager has the tendency to monopolize decision-making, her subordinates can show her where this will lead by approaching her for decisions on every single matter. A frequent outcome is an explosion of complexity at the top of the organization, which can only be remedied if the manager extends her work day or, if that is impossible, accepts *sousveillance* by her employees.

Despite all the praise for post-heroic management, much supported by organizational research, the function of hierarchies must not be forgotten.

### *How the Surveillance of Employees Functions*

There are different ways to collectively create binding decisions in organizations. A matter can be discussed until everyone agrees, whether it is because they have been mutually persuaded in a “domination-free discourse” or because they are too exhausted to insist on their original positions (see Habermas 1985, who emphasizes the first). Or participants can put different alternatives to a vote and select the approach favored by the majority. A further possibility, which is common in illegal organizations such as the Hells Angels, the Mafia, or terrorist groups, is to support the person who is willing to enforce his leadership claim through physical violence. However, in most organizations, the most important mechanism for creating the capacity for decision-making is a hierarchy, the acceptance of which is identified as a condition of membership.

Hierarchs can resolve open decisions simply by referring to their role as bosses. Upon entering an organization, members not only declare their agreement with the tasks they are expected to perform, but also submit to the hierarchy. Their bosses can therefore expect compliance and, in the event it is not forthcoming, call their membership into question. As a consequence, organizations can create an impressive level of decision-making capacity that is applicable to all members, encompasses all relevant issues, and can be quickly deployed, if necessary.

As far as the *factual dimension* goes, if a hierarchically structured organizational chart exists that clearly shows who is subordinate to whom, there can be a preliminary resolution of all organizational questions. Ultimately, anything that is vague, contradictory, or ambiguous can be moved up the hierarchy until it arrives at a level where somebody can resolve it. In this connection, it is interesting to note that during the 1962 Cuban Missile Crisis, the US response to the deployment of Soviet nuclear missiles on the Caribbean island was formulated by the president. To be sure, the Pentagon drew up three alternative plans that limited the president’s options as commander-in-chief: a naval blockade, targeted air attacks on the missile installations, and a large-scale land invasion. However, despite the somewhat arbitrary

and haphazard nature of the Kennedy administration's decisions, the crisis is a good example of a topic being passed up the hierarchy and rendered decidable (see Allison 1969).

In the *social dimension*, the hierarchy constitutes a mechanism for temporarily defusing, if not resolving, conflicts between parties in the organization. Whereas arguments in a disco, a clique, or a marriage may be resolved through violence, intervention by figures of authority, or separation, organizations have the option of resolving interpersonal conflicts through the hierarchy. Because, as a rule, every member of the organization is integrated into the hierarchy, all personal conflicts generally fall under the purview of a manager. Should a conflict escalate, the manager can invoke her authority to decide the matter. Thus, the hierarchy frees all parties from the necessity of engaging in time-consuming power struggles and clarifying ambiguous situations. Put differently, the hierarchy transforms the instability of a personal pecking order into an order of social comparisons to which all parties are bound by the terms of membership (see Luhmann 1979, 140).

As far as the *time dimension* goes, decision-making can take place very quickly because managers can force employees to accept choices immediately. The decision-making process can be reduced to comments such as: "Thanks for your opinion, but in my capacity as supervisor, I've decided that we'll handle the matter in the way discussed." In the final analysis, managers are justified in expecting their deadline ideas to be adopted in the decision-making process, which results in decision-making that preserves resources. After all, in contrast to a consensual process or the use of force, arduous negotiation processes are unnecessary.

The ability of managers to get employees to accept their choices is based on the fact that acceptance of the hierarchy is a condition of membership. Thus, the central mechanism managers use to impose their decision consists of their "exit power" (see Luhmann 1979, 177ff.). Often an indirect allusion from a manager is all that is needed to remind members of the organization that their membership depends on specific conditions, including acceptance of their boss's decisions. Sometimes, though, these managers may need to issue a written warning.

One problem is that the threat of termination—the use of “exit power”—is a very blunt instrument. For this reason, additional methods are drawn on to achieve compliance from employees. “Career power,” or the ability to influence an employee’s advancement, is a much more subtle means than expulsion. It involves passing a person over when a new position is filled, or transferring a person to a comparable but somewhat less attractive position (see Luhmann 1979, 177f.). Managers may also bring their “resource power” to bear, for example, by restricting the resources needed by their subordinates to perform their jobs. Ultimately, managers also wield “informal power” in the sense that they can show a varying degree of tolerance when subordinates break rules.

### *The Dual Power Process in Hierarchies*

Many organizations have adopted the credo that hierarchy should be abolished. In the past, such demands were raised mainly in collectively run businesses and grassroots political organizations. Nowadays, though, they are increasingly heard in profit-oriented companies that are apparently moving away from strict, hierarchical decision-making structures. Management consultants often push the same approach. For example, the management guru and best-selling author Tom Peters has called for hierarchies to be dismantled and destroyed. Such gurus claim that lean management, cost/profit centers, and project management will deal a mortal blow to hierarchy and that, as a model, it is “on its way out.” However, the more stridently management literature seeks to discredit hierarchies, the more stubbornly organizational hierarchies seem to persist.

Instead of declaring that hierarchies are in crisis, that they lead down a cul-de-sac, or even that they are dying (or perhaps taking the opposite route and showering hierarchies with praise), we should note that hierarchies create opportunities for employees and their supervisors to mutually influence one another. Organizational researchers have realized that, contrary to first impressions, hierarchies make it possible

for power to be exerted from the bottom to the top as well as from the top to the bottom.

This dual power process in hierarchies (the exertion of top-down and bottom-up influence) should not lead to the mistaken conclusion of symmetrical power relations between managers and employees. The sociologists Michel Crozier and Erhard Friedberg (1979, 40f.) have pointed out that while both sides have something to offer in hierarchical relations, one side always stands to gain more depending on the sources of power it controls. Naturally, the asymmetrical distribution of power often favors those who hold the higher position. The relationship between the branch manager of a supermarket and her cashiers, between a noncommissioned officer and a private in the army, or between a company owner and her employees illustrates this point. However, lower-level employees can often gain considerable influence. Examples include employees with exclusive knowledge of operations, behind-the-scenes power brokers in political parties who know how to make various factions coalesce, and university professors who are secure in their positions because of tenure and place greater value on a good reputation in the research community than on how they are seen by the dean of the university.

At this point, we could examine hierarchical power relations with a focus on which side stands to gain the most from hierarchical structures. However, this is only of interest for members of an organization who want to learn if they have a good chance of prevailing in a certain matter and if it is worth it for them to remain in a hierarchy. With respect to a comprehensive understanding of the way hierarchies work, it is more interesting to realize that it is precisely the oppositions in the dual power processes in a hierarchy (top down and bottom up) that contribute to the strength and effectiveness of organizations.



### 3.

## Machines, Games, and Façades: The Three Sides of Organizations

Researchers use a variety of analogies to describe organizations, referring to them, for example, as trash cans, market places, data processing machines, and octopuses. They make comparisons to space ships and brains, and evoke associations with bee hives and prisons. We can cite the book *Images of Organizations* by the US organizational sociologist Gareth Morgan (1986) to illustrate the differences between organizations. A precisely “programmed” corporation that calls to mind a symphony orchestra can be distinguished from a more flexible, decentralized organization comparable to a jazz band—or from a growth company that constantly breaks the rules and in some ways reminds us of a rock group. The organizational charts of public administrations, companies, or associations may make us think of pyramids, onions, or trumpets, depending on how many levels the hierarchy has and how broadly or narrowly the charts define the functions of middle management.

But there are three types of metaphors that play a central role in organizational research, each of which focuses on a different aspect of organizations. Characterizing an organization as a *machine* highlights the predictability of the organization’s processes. Using the metaphor of a *game* indicates that an organization is bustling with life beyond its official body of rules and regulations. Referring to an organization as a *façade* underscores how important it is for the organization to drum up support in its external environment by presenting a polished image to the outside world. These three metaphors merit a somewhat closer look.

### Metaphors Illustrating the Three Sides of Organizations

The *machine* metaphor addresses the predictable aspects of organizations. Much like machines, organizations consist of precisely defined components, each of which performs a clearly established function in the overall machinery. The individual parts only become meaningful through their integration into the whole. Without such integration, an individual component has no function. All of the cogs in the organization need to mesh, as in an engine. The task of the machine operator—or “manager”—is to set the wheels in motion and control them. Organizations, like machines, may consist of a vast number of parts and connections, but ultimately their complexity can be managed using precise descriptions of the processes involved. The operating manual for the machine, i.e. the organizational handbook, simply becomes correspondingly thicker (see Ward 1964, 37ff.).

The *game* analogy underscores the fact that an organization is a field of innovative activity where risk-taking, the pleasure in variation, the exploitation of opportunities, and surprises play an important role. Much like competitive games, organizations are characterized by the tension between freedom and constraints, calculability and spontaneity, randomness and regularity, creativity and conventionality, competition and cooperation, and fairness and deception (see Neuberger 1990, 163). Games are based on incomplete information, which makes fooling others and bluffing important. Often several solutions are possible or stalemates are tolerated. In the final analysis, games can be unjust because the rules put some of the players at a distinct advantage over other players (see Ortmann 1988, 21). The social psychologist Karl Weick compares organizations to a game that is played on a round sloped field with a large number of goals. Various individuals—although not everyone, of course—can enter or leave the game as they please. They can throw new balls into the game or attempt to remove them. The players’ ultimate goal is to kick one of these balls into the goals, and if they succeed, they have to be extremely careful to get credit for their goal. The activity is reminiscent of the animals’ soccer match in Walt Disney’s *Bedknobs and Broomsticks* (see Weick 1976, 1ff.).

The *façade* of a house is its visible side. Its purpose is to make an impression through ornament, decoration, or simply through its regularity. It is intended for the public. The façade, as a saying goes, is “a gift for the street” (see Rottenburg 1996, 191ff.). The façade has windows not only to let occupants look out, but also to let the public look in. These windows may be decorated with pretty curtains that can be closed quickly in an emergency. “Window dressing” is a commonly used phrase to describe the attempt to make a façade look more attractive. Applied to organizations, it suggests an effort to make a favorable impression on the outside world in order, say, to gain the approval of clients, create a positive image in the mass media, or acquire legitimacy in political circles. What takes place in the rear of the organization is not unimportant, but the organization’s survival depends heavily on sprucing up the façade.

### *Specializing on One Side*

The machine, game, and façade metaphors were originally introduced by exponents of different organizational theories to clarify their perspectives on organizations. The terms were then picked up by organizational practitioners as well. The analogy of the *machine*, which is surely one of the oldest metaphors for organizations, is always used when an attempt is made to define the “ideal” formal structure for a specific goal (see Weber 1978, 973ff.). When pursuing this goal, we could—like the followers of Max Weber—build on the assumption that an ideal form of organization exists for modern society. Alternatively—like the so-called contingency theorists or the proponents of the transaction cost approach—we could attempt to define the “optimal machine” for each respective product, technology, or client group. Distancing themselves from the associations of regularity, calculability, and predictability that the machine analogy evokes, adherents of micro-political organizational theory, by contrast, use the *game* metaphor to stress the unpredictable, unplannable, and anomalous aspects of organizations (see Crozier/Friedberg 1977, 113).

The so-called neo-institutionalists, in turn, emphasize the function of the *façade* in organizations. In their view, organizations are primarily concerned with gaining legitimacy in their environment, which explains why they create positions for gender equality, environmental protection, and efficiency, adapt their programs to current management methods, and recruit homogenous personnel with respect to gender, race, or class origin, even when, from an efficiency perspective, it makes no sense to do so (see Meyer/Rowan 1977, 340ff.). Or they may recruit a heterogeneous personnel, embracing the management buzzword of diversity.

Organizations train specialists to deal with all three sides—the machine, the game, and the façade. Middle management, for example, is dominated by managerial staff who specialize in the formal programs of organizations. It is here that the targets and rules that employees must follow are formulated and developed. These formal targets must then be implemented in the operational, value-adding fields of the organization, where their interpretation, reinterpretation, and circumvention often require a great deal of creativity. Understandably, the person who specializes in the informal side is not identified on the organizational chart—there is no “Chief Informality Officer.” Rather, employees in the staff development and training departments often assume responsibility for all of the things that are not easily subsumed under the organization’s formal structure. One of the most important responsibilities of top managers is to construct the organization’s façade, supported by the communications, press, and marketing departments. The sociologist Talcott Parsons (1960, 59ff.), who has identified three basic functions of management, calls this its “institutional function.”

The specialists in charge of each specific side of the organization draw on external service providers. Consultants such as McKinsey or PricewaterhouseCoopers are called in to deal with the formal structure. They are asked to reengineer formal processes, rethink the formal classification of employees, or make the structures depicted in the organizational chart leaner by dismantling departments or hierarchies. Because this type of reorganization causes disruption, “cultural specialists”—process consultants and coaches—are then brought in and

tasked with restoring the right chemistry between members (through informal arrangements outside the scope of formal parameters). Finally, marketing specialists, advertising firms, and PR agencies are hired to create, manage, and repair the organization's façade.

This focus on a single side of an organization is reinforced by the manner in which occupational training programs, university curricula, and continuing education courses impart knowledge about organizations. Exaggerating slightly, we could say that traditional business administration programs emphasize the formal side. In modules with names like "Organizations I" and "Organizations II," they drum various organizational forms into their students' heads—e.g. the line organization, the divisional organization, or the matrix organization. At the same time, they treat informality as a manifestation of organizational culture without teaching students to systematically analyze it. After that, organizational psychologists, business and industrial sociologists, and organizational anthropologists step in with the claim that they are in charge of the organization's informal processes, culture, and "under-life." As interesting as their observations may be, they often do not establish a sufficiently strong link to the way an organization's façade or formal side works. Knowledge about the creation, management, and repair of an organization's façade is imparted primarily through communications, design, or media studies. It is rare for these programs to convey a deeper understanding (based on organization research) of the way the façade interacts with an organization's formal and informal side.

### *A Look at the Interactions between the Three Sides*

Of course, it is a matter of good form for the experts to emphasize that although they specialize and focus on one side of organizations, they always keep an eye on the other aspects. The specialists who revamp the organization's formal structures by rethinking organizational charts, optimizing programs, or merging units will stress that they obviously cannot change an organization without giving due consideration to

organizational culture. They therefore recommend an accompanying “cultural program.” For their part, the specialists in organizational culture (and thus in informality) make clear that their programs can be conducted only after they have gained a precise understanding of the organization’s façade and formal side. Finally, the façade experts emphasize that it is part of their professional approach never to design the façade of an organization without understanding the links to the formal and informal structures.

Ultimately, though, the experts tend to think of their own perspective as absolute. Specialists in formal structures often respond in the same way not only to the different forms of informality in an organization, but also to everyday violations of rules: this needs to be “fixed.” They call in quality management consultants, who are charged with identifying and eliminating the frequent deviations from the rules. As a precaution, organizational management software is purchased to avoid deviations from standards, or specific departments are set up to monitor processes and ensure conformity (known nowadays as “compliance”). The goal is to keep deviations from rules to a minimum. For their part, the specialists in organizational culture tend to view informal work processes as “oases of humanity” in an alienated work environment and as the key to increased profitability. They thus see improving the organization’s chemistry as the starting point for creating happier employees and growing the bottom line. Finally, at the highest levels of management, there is a tendency to view internal processes from the perspective of the façade. Chester Barnard (1938, 120), who held a top-level position at the telecommunications giant AT&T, observed that senior executives were often unable to keep track of the rules and regulations in their own organizations and were largely unaware of the influences, attitudes, and behavior that shaped the organization on a daily basis.

The specialization and focus on one particular side of organizations is plausible in terms of the division of labor. Just as it is effective for companies to hire purchasing, production, and sales experts, or for hospitals to employ different experts to treat the sick, bill for services, or clean the corridors, it can also make functional sense for organi-

zations to have people with different expertise for the formal side, the informal side, and the façade. A minister would be expecting too much of herself—not to mention her ministry—if, in addition to performing a representative function for political decisions, she also aspired to understand all the relevant formal rules and regulations and to keep track of the various informal coordination processes within her ministry. For a production line worker in a fish-packing factory, it is sufficient to know which formal demands are important and learn how to informally circumvent them. There is no need for this worker to feel responsible for the company's external image.

It may sound ambitious, in organizational analysis, to systematically distinguish between these three sides, as I have proposed. The adherents of most organizational theories usually distinguish between two aspects, if they make distinctions at all: the formal side, which they see as suitable for presenting the organization to the outside world, and the informal side, which they believe are best hidden from public view. However, if our goal is to gain a comprehensive understanding of the way organizations work, we need to be able not only to grasp all three sides and their respective logic, but also to understand how they interact.

### **3.1 The Formal Side: Distributing the Burdens of Proof**

One can learn a great deal about an organization by observing a person's first day at work. It makes no difference whether this person is doing a vacation job in a washing machine company, has landed her first full-time position in a law firm after completing a law degree, or has been appointed a senior executive in a hospital. The new member receives an ID card, is given a brief orientation, and meets her colleagues. She is introduced to her future manager or, if necessary, introduces herself to her subordinates. Because her contract outlines the future responsibilities of the position only in broad strokes, the organization's expectations of the position are discussed in concrete terms. The newcomer receives

a manual describing operational procedures or is referred to a colleague who can explain the applicable processes.

To return to the analogy of a machine, the new member strives to understand how the machine works, which wheel in the machinery she represents, and how this wheel interacts with other wheels. In other words, she acquaints herself with the organization's formal structure. But what exactly constitutes the structures of an organization? And precisely what makes them formal?

### The Formal Structures of an Organization

As a concept, structure is elusive. A politician who speaks of the necessity to reform the “tax structure” probably wants to communicate that something fundamental needs to change, but will typically avoid explaining how (or if) the future tax burden will be reduced. If the police carry out raids against antifa activists, protesters might decry discrimination against “left-wing structures,” but it is rare for anyone to explain who or what was actually discriminated against. Basketball coaches may loudly proclaim that their main goal is to “create structures to ensure the club's likelihood of success in the future,” but they will leave the public in the dark about what exactly they plan to change.

This means that, as a concept, “structure” is well suited to fill gaps in thought. It is frequently used when a more precise concept does not exist, or when people are too lazy to identify it. We have some notion of what is implied by the term “organizational structure”—namely, the relatively stable order in organizations and the mechanisms that give organizations permanence—but it is initially difficult to define the concept more precisely. However, the definition is in fact very simple.

### *Structure*

In organizations, one type of decision appears to arouse particular interest—namely, the decision that influences decision-making in the



future. Employees will heatedly debate which departments should be merged because they know it will have ramifications for their jobs in the years ahead. Members of a political party will follow the election of a new national leader with great interest because they know that the outcome will affect the way the party positions itself in the future. University students know that the passage of new examination regulations is more important than the planning of course offerings for the coming semester because the regulations create the framework within which instructors will decide whether they pass or fail.

This description of a special type of decision is all that is needed to understand what organizational structures are. According to Herbert A. Simon, they are the decisions that serve as premises (i.e. preconditions) for other decisions in the organization (see Simon 1957, 34ff.). Organizational structures always involve decisions that are not limited to a single event, but instead exert a formative influence on an array of future decisions. The decision by a maintenance worker to repair a broken piece of machinery on the shop floor does not qualify as such a “decision premise” because it applies only to one particular event. However, when the CEO decides that within ten minutes after a machine goes down a member of the maintenance crew must be present on site, a decision premise comes into play (see Luhmann 2005a, 93ff.).

### *Formality*

Of course, structures exist elsewhere besides organizations. The traffic law that requires us to drive on the right (or left) side of the road is just as much a structure as the rule in a shared apartment that the bathroom should be cleaned once a week, or the agreement reached in a family that one of the spouses will sell his or her labor on the market at the highest possible price, while the other takes care of raising the children. Expectations about what will happen in the future are necessary for formation of stable structures.

The important, distinct feature of organizations is that they can subject membership to conditions. One of these conditions is that

members must decide whether they want to accept the organization's expectations. Guidelines define the hours during which members must be present on the organization's premises, the type of work they must perform during this time, which of the other members may give them instructions, and whom they can ignore. Anyone who is unwilling to comply with these expectations cannot remain a member.

Simply put, the conditions of membership communicated by the organization constitute its *formal structure*. They are used to determine which "programs" (e.g. targets and procedures) must be accepted. They also stipulate the communication channels that staff must use, such as who is authorized to give instructions to whom and what the reporting requirements are. In addition, they usually specify that an employee must accept, as communication partners, a wide range of individuals with whom she otherwise would not spend a moment of her free time.

In order to make a certain type of behavior a condition of membership, it is necessary to keep the organization's demands on its employees relatively consistent. If a formal regulation requires that a social worker provide specific forms of assistance only if a certificate exists confirming need, while there is a simultaneous requirement that she provide immediate assistance in cases of severe neglect, it will be difficult to establish, in the event that rules are broken, whether the social worker is at fault.

The only reason the *machine* metaphor can be applied is that the formal structure of organizations demands consistency. Because the organization's formal expectations must be coordinated and cannot fundamentally contradict one another, the organization's routine-like character, dependability, and efficiency make it appear to function like a machine in the eyes of those whose focus is fixed on its formal structure.

Naturally, there are inconsistent rules in every organization, but these inconsistencies in the formal regulations tend to alleviate the burdensome behavioral expectations placed on members by allowing them to cite the rule that suits them best (see Luhmann 1964, 155). This is why, when inconsistencies in the rules surface, organizations mostly respond with a "fix that." If it becomes known that state regulations are inconsistent with the personal use of government cars by politicians, it takes no more than the exposure of a single case of

impropriety to generate pressure to clarify the regulations. The attempt by organizations to identify behaviors as conditions of membership apparently has the effect of keeping the rules and regulations at least somewhat consistent.

### *Formal Structures*

Members of organizations need a rule that enables them to identify the organization's membership expectations (i.e. formal structure). For this purpose, members check to see whether the expectations placed on them have been codified in an organizational "decision." A teacher will examine which decisions have been reached—for example, in the form of curricula—when designing teaching plans for her classes. An employee of the tax office will investigate whether there has been a decision affecting the deadlines for the submission of VAT forms.

In a nutshell, we might refer to an organization's formal structures as "decided decision premises." Although this definition may seem somewhat abstruse at first, it offers the advantage of immediately opening our eyes to a range of phenomena. It gives us a deeper understanding of the various types of decision premises that organizations can use to influence decisions, and it quickly leads to the realization that there are different ways—e.g. by majority vote, consensus, or orders from above—to reach decided decision premises. Finally, this definition makes us aware that "undecided decision premises" may also emerge inside organizations as a result organizational culture.

### **The Function of Formal Structures**

To begin with, decision premises are restrictions. The regulation of business hours limits when an organization can communicate, keep records, pursue administrative tasks, or produce goods. A hierarchy of positions stipulates who may officially talk to whom, and who may not. An organization's formally defined division of labor determines who is

required to perform certain jobs and—of particular interest—who is prohibited from performing certain jobs, even if they want to.

Why do organizations impose restrictions on themselves? Why do they develop special structures?

### *Eliminating the Need for Review*

Structures are preconditions that no longer need to be reviewed before use (see Luhmann 2003, 31ff.). After a research budget of one million dollars has been approved, the person in charge of disbursing the funds no longer needs (or is expected) to conduct a review of whether the money might be better spent on nature conservation. Thus, structures not only eliminate the need to question decisions, but actually discourage it. This is exactly what is implied by the concept of a *premise*.

That does not mean that every premise in an organization is uncontroversial. The hiring of a new coach for a professional sports team may be heatedly debated in the boardroom and may not enjoy support from the fan base. Yet once a decision about a premise has been made, this premise cannot and must not be called into question. If at all, the criticism of the structure of an organization should be left to specialists or restricted to very brief periods of time.

As a result, decision premises significantly relieve pressure on all levels of the organization. Employees at the execution level need only consider whether their decisions are in line with the organization's formal framework, and no longer need to examine why the rules were adopted, what alternatives exist, or what arguments could be fielded against them. Managerial staff are safe in the assumption that decisions conform to formal targets and that no resource-intensive examinations of their rationality will take place at the execution level.

This can be easily verified by an experiment. Just imagine that someone took to heart the claims made in many management advice books and, instead of blindly performing expected actions, challenged every single one of them. This would entail, for example, questioning

the purpose of every single task on the assembly line, every administrative procedure in a government agency, or every new application for a development aid project. All instructions from above would be scrutinized to ensure that the manager had the necessary authority and professional competence to issue them. Most organizations would be ruined by the complexity this produced.

The two well-known concepts of *uncertainty absorption* (see March/Simon 1958, 158) and *complexity reduction* (see Luhmann 1973a, 182ff.) describe the disburdening effect of structures. In the face of many possible alternative decisions, decision premises help absorb fundamental uncertainty about the correct decision and significantly reduce organizational complexity and the number of available options.

### *Distributing the Burden of Proof*

Nevertheless, the organizational structures (the premises of future decisions) do not *determine* the precise manner in which decisions are made. Even in highly standardized work processes such as those found on a production line, in a call center, or in a marching formation, it is impossible to determine every single decision. Research in the field of organizational psychology has documented that even production line workers, call center staff, and marching soldiers frequently deviate from their strictly defined actions (see the impressive research by Burawoy 1979, 71ff.). This means that an organization's structure cannot provide final certainty on the decisions its members make.

But if decision premises do not determine each individual decision, then what function do they have?

In brief, organizational structures (or decision premises) distribute the burden of proof. If members of an organization act in accordance with its formal structure, they will not attract attention, cause a commotion, or be forced to justify themselves. They will not have to further legitimize their actions by emphasizing the rationality of these actions.

Instead, it is sufficient to point out that these actions conform with the formal program. When bombing the enemy, soldiers know that they will be on the safe side if they simply follow army procedures and carry out their superiors' orders.

An organization's members always have the option to make a decision that runs counter to decision premises. If they do, though, they bear the burden of proof. If they fail to use official communication channels and instead take illicit paths across departments, they need to justify the reasons in the event of conflict. If they work in a way that is effective but formally prohibited, they should, in case they get caught, have good evidence that the method benefits the organization and does not create any identifiable damage. They must hope that their actions will be seen as useful for the organization and either silently tolerated or, in the event of a dispute, recognized as clearly advantageous (see Dalton 1959, 237).

Organizational structures merely make certain decisions more likely than others. As the organizational sociologist Erhard Friedberg has pointed out, they do not directly determine the actions of the organization's members, but rather define their "latitude to negotiate" (see Friedberg 1993, 151). To use the language of institutional economics, structures form a "nexus of contracts" in which the actors themselves are never truly certain that the other side will comply (see Reve 1990, 133ff.). Structures direct actions along certain pathways; they make some decisions subject to accountability while exempting others. A systems theorist would say that structures encourage some communications while discouraging others (see Baecker 1993, 8).

Because decision premises function in this way, organizations can operate securely in the tug of war between demands for stability, on the one hand, and demands for flexibility, on the other. Because of the way the burden of proof is distributed, it is unlikely that fundamental change will well up from below: all deviation brings the danger that members will have to justify themselves. At the same time, deviations that are functional for the organization may evolve and thereby soften the rigidity of the formal structures decreed from above.

### Types of Formal Structures: Programs, Communication, and Personnel

It is relatively easy to reach agreement on the elements that belong to an organization's formal structure. Depending on the type of organization, they include the web of relations depicted in the organizational chart, work processes, working hour regulations, business target systems, directives, organizational manuals, procedures, computer software, bylaws, hierarchical levels, business policies, signing rules, and operating instructions.

But how can we arrange this array of diverse formal elements to gain insight into the way an organization functions? Should we distinguish between three "hard elements" (strategy, structure, and system) and four "soft elements" (shared values, skills, style, personnel) and declare the interplay between these elements to be a recipe for all organizational success, as in the 7S model developed by the management consultants Tom Peters and Robert Waterman (1982, 32)? Should we follow the lead of organizational researcher Henry Mintzberg (1979, 19ff.) and differentiate between five areas of an organization—the strategic apex, operating core, middle line, technostructure, and support staff—and then analyze how they interact? Or should we use the approach proposed by the economist Fritz Nordsieck (1932) and simply distinguish between "structural organizations" and "process organizations"?

Distinguishing three different types of structures has proved to be successful. The first type is a *decision program*. Business target systems, directives, computer software, and policies fall into this category. They are used to determine which actions are viewed as proper or mistaken in organizations. The second type of structure consists of *communication channels*. They include rules, procedures, the division of labor, the flow of information, cosigning authority, hierarchies, and document signing rules. The goal here is to define the way in which information can and must be communicated within the organization and the pathways that must be taken. *Personnel* can be viewed as the third type of structure (or decision premise). Here, the underlying consideration is that filling

a position with a specific individual (or type of individual) makes a difference for future decisions (see Luhmann 2005a, 93ff.; for a detailed examination, Luhmann 2018a, 181ff.).

### *Programs*

Programs pool the criteria that must be used in reaching decisions. They determine which actions are permitted and which are not. In this way, programs make it possible to assign blame in the event of errors and thus distribute criticism within the organization. If an employee does not meet the goal of increasing revenues by 10 percent, as specified by a program, she may try to find excuses, but ultimately the program will make it possible to identify her as having made the mistake. In principle, there are two different types of programs: conditional programs and goal programs (see Luhmann 1976, 104).

*Conditional programs* determine which actions must be taken when an organization registers a certain impulse. For example, if a preassembled component arrives at an assembly line workstation, a conditional program set by the company may specify that a certain action be taken. If an application for unemployment benefits is received by an unemployment office, the caseworker may use conditional programs that are established by the office and regulated by law to determine whether the circumstances warrant payment of support (see Luhmann 1982c, 174ff).

In conditional programs, there is thus a fixed link between the condition for an action, the *if*, and the execution of a decision, the *then*. The procedure is precisely defined: the program determines what must be done; anything that is not expressly permitted is prohibited. For an employee whose job is subject solely to conditional programs, discretionary power is limited.

The assignment of responsibility for errors functions analogously. If a person who performs an action registers an impulse and does not take the prescribed measures, she commits an error and can be held accountable. Conversely, if the person performing the task follows the



program correctly, she does not bear the responsibility for the outcome of the process, but rather the person who developed it. For example, if a London social worker handles her caseload in accordance with the prescribed conditional programs, she cannot be faulted if a homeless person dies on the streets. Rather, responsibility lies with those in the administration who set up the conditional programs in such a way that the homeless person's death could not be prevented.

Conditional programs are therefore *input oriented*. The person who performs the task receives an input in the form of an application, a criminal complaint, or movements on a conveyor belt, which triggers a prescribed sequence of work steps. As a result, organizational processes governed by conditional programs are highly predictable, but lack flexibility and outcome sensitivity.

*Goal programs* are entirely different from conditional programs in terms of how they are designed. They determine which targets or objectives are to be achieved. They are mostly found at the top of an organization—for example, the goal set by a company to become the leader in the washing machine market. However, if organizations take the so-called “management by objectives”-approach, goal programs can also determine the activities of middle and lower management. It is also possible for simple activities to be regulated by goal programs, such as when a manager asks her assistant to buy 2,000 sheets of printer paper at the best possible price.

In goal programs, the choice of means is left open. The object is to reach the stated goal, regardless of the means. At the same time, the choice of means must remain within certain boundaries established by the rules of the organization or even by legal statute. The CEO's assistant may not steal paper from another department and then claim she has chosen the cheapest alternative. The general rule is that all means not prohibited by the organization (or by law) are permissible if they serve to achieve the goal.

When goal programs are involved, the person who implements the program bears responsibility if the goal or the objective is not achieved, or if the means to achieve the objective create problematic side-effects for the organization. The assistant in the above example will be hard

pressed for an explanation if the printer paper does not materialize, or if obtaining the paper entails too much expense. She can offer excuses such as the logic of an SAP-supported purchasing system, but ultimately these attempts at self-justification merely call attention to the fact that, under the program, she is considered the source of the error.

Because goal programs are *output oriented*, they can be open-ended. Requiring the assistant to make certain that there is always enough printer paper available ensures that supplies will be maintained regardless of whether paper usage in the immediate future fluctuates widely. Goal programs therefore grant the organization a certain elasticity that it would not achieve through conditional programs alone.

### *Communication Channels*

Communication channels represent the second basic type of organizational decision premise. Initially, the establishment of legitimate points of contact, proper channels, or domains of responsibility massively restricts the opportunities for communication in an organization. In decision-making processes, the organization forgoes a large number of possible contacts and the participation of an entire range of potentially helpful and interested actors. Only a limited number of legitimate contacts and authorized decision-makers are permitted to come into play, which members must respect if they do not want to jeopardize their membership. Defining such communication channels is an organization's only means to prevent communication overkill. Other social systems such as families, groups, or even conversations may be organized as "all-channel networks" in which every participant may communicate with all others and, at least in principle, demand to have a voice in important matters. In organizations, it is precisely this possibility that is precluded by the establishment of communication channels.

For the members of an organization, defined communication channels have an alleviating effect, as do all of the other structural types. People who are responsible for a certain decision may assume that

the decision is viewed as correct within the system and will not be questioned. On the other hand, if a problem arises, they must assume responsibility for potential errors or the negative consequences of their decisions. This not only takes the onus off supervisors, who can assume that their subordinates will follow their instructions, or at least officially pretend to do so. It also takes the onus off their subordinates, because they know with whom they may and may not speak. Well-defined communication channels also facilitate collaboration between two people on the same level—for example, by making it unnecessary for one department to verify the correctness or usefulness of information received from another.

There is a great variety of ways to regulate communication within an organization. The most prominent method of defining communication channels is through a *hierarchy*. On the one hand, hierarchies produce inequality by defining who is subordinate or superordinate to whom. On the other, they create equality by specifying which departments are situated on the same level of the hierarchy. As has been shown, the central function of hierarchies is to allow the rapid resolution of work-related conflicts by referencing the conditions of membership.

A further important method of establishing communication channels is through *cosigning authority*, which is generally created on the same hierarchical level. For example, different government ministers may be required to approve a statute before it takes effect, or department heads may have to countersign work instructions before they can be officially announced in an organization. Cosigning authority is based on the equal status of the participating organizational units. It can be a fragile instrument because it offers no simple solutions when conflicts arise.

Another increasingly important way of defining communication channels is to view them as *project structures*. Members of different departments may be brought together to work on a specific project—a goal program—over a defined period of time. As is common in such cases, project leaders are given either limited authority or none at all. At the same time, project participants often retain a sense of duty to the branch of the hierarchy that sent them. This, in turn,

weakens the additional communication channels established by the project group itself.

Hierarchies, cosigning authority, and project structures can be combined to create highly specific types of communication channels and networks. Depending on the combination selected, the likelihood of cooperation, competition, or conflict in the organization will change. Organizational research is highly imaginative when it comes to naming and describing such networked communication channels. Concepts such as the functional organization, the divisional organization, or the matrix organization are then used to describe the dominant organizing principle underlying them.

### *Personnel*

Although it is common in organizational research to classify programs and communication channels as organizational structures, the idea that personnel can be viewed as a third, equal-ranking structural type sometimes raises eyebrows. That personnel are largely overlooked goes back to a blind spot in organizational research that has crept in from classical business economics. Due to its focus on the traditional means-end model, organization-based research in business economics often views personnel merely as a means to an end, not as a structure. This misperception has resulted in the use of unusual word combinations in the names of departments, institutes, or academic chairs. Typical titles such as the “Department of Organization and Personnel” suggest that, in analytical terms, personnel is somehow positioned outside both the organization and organizational structures (Luhmann 1971b, 209).

However, by using the concept of organizational structure explained above, we can easily show the structural character of decisions about personnel. As any observer can see, the matter entails much more than an organization reaching decisions *about* personnel. Such decisions represent important premises for additional decisions in the organization. In terms of future decisions, it makes a big difference who occupies the position responsible for making a decision. A lawyer will often reach

different decisions than an economist in the same position, and the economist will decide differently than a sociologist. People who have been socialized in the upper classes tend to reach different decisions than those from the lower classes. In addition, the decision-making behavior of women is thought to differ from that of men.

The importance of this type of structure can be gauged by the fact that organizations take a keen interest in people. Despite all the gossip about alleged affairs between board members and their fitness trainers, the primary issue here is not that people are found interesting in a personal sense. Rather, the interest is attributable to the assumption that each individual reaches decisions in an idiosyncratic manner. As can easily be seen, members of an organization develop their own style with respect to the way they implement programs or use communication channels (see Jackall 1983, 121). It is also clear that every staff change creates discontinuity, even if the organization's communication channels and programs remain the same.

An organization has various options to make personnel changes (Luhmann 1971b, 208). Through the *hiring process*, it determines what type of person will make future decisions. When job advertisements, candidate profiles, or position requirements are formulated, there are often heated debates over the qualities a candidate should possess—and over the decision-making style relevant to the organization.

The *dismissal* of individuals can be used to signal the type of decisions the organization no longer wishes to see in the future. Particularly when a top-level executive is terminated, it sends a strong internal and external signal that a different type of decision is expected. However, there are many positions where terminations are not possible and the only alternative is a transfer—i.e. moving individuals to jobs where their decisions “can't do as much harm.”

*Internal transfers* can proceed in different directions: upward (promotions, though sometimes to powerless figurehead positions), downward (demotions), or to the side (i.e. to openings on the same hierarchical level). Transfers offer the advantage that the organization already knows and can assess the employee. However, job performance in one position does not guarantee success in another.

Conversely, failure in one position does not imply unsuitability for another.

*Personell development* represents the attempt to change the employees' behavior so they will reach different decisions in the same position in the future. In this context, personnel is viewed as a type of software that can be reprogrammed through coaching and training seminars, while the organization's programs, technologies, and official channels are seen as its hardware. In fact, though, the opposite seems true: while organizational plans and job descriptions can easily be "modified with the stroke of a pen," people are "difficult to adjust if at all" (Luhmann 2018a, 231). Even if individuals are willing to change and open-mindedly take part in personell development programs, their work environment often confronts them with the expectation that they should behave the same as before.

### ***On the Relationship between Programs, Communication Channels, and Personnel***

The interaction between programs, communication channels, and personnel can be examined even in the smallest unit definable for organizations: that of a *position*. A position must be filled by a person and is governed either by defined targets (goal programs) or by "trigger" conditions (conditional programs) that are set by organizational manuals or computer programs. The range of possible contacts with other employees is limited by existing communication channels (see Luhmann 1973b).

Another level on which all three types of structures interact is that of organizational *departments*. A department is shaped by its personnel and their often highly individual decision-making styles. The department's work is structured by goal and conditional programs and by its integration into the organization's communication channels.

Finally, the interaction of the three structural types can be observed at the level of the *organization* itself—for example, when goals or processes change across the entire organization, when a modification

of the organizational chart leads to entirely new, unfamiliar communication channels, or when a company routinely hires a specific type of employee.

### **Courses of Action: Approaches to Analyzing and Modifying Organizational Structures**

Breaking down an organization's formal structure into the three types of decision structures discussed above may initially seem unsatisfying. After all, although it creates additional analytical concepts, it does not provide any decision recommendations for organizations. However, a look at the way programs, communication channels, and personnel interact can focus attention not only on an organization's potential for change, but also on the limitations of such change.

#### ***What Types of Structures Are Created by Growth?***

During their founding stage, organizations are generally reluctant to establish set structures (decision premises). They often do not clearly define their processes because standardization is not viewed as a necessity and also because their members develop routines through learning by doing. Similarly, they often forgo formally prescribed communication channels. Every member has easy access to other members, which is why these organizations can also be called "face-to-face organizations". One result, though, is that the *personnel* decision premise takes on central significance. One sign of its significance is the emphasis constantly placed on having the right chemistry between employees, particularly in the founding phase, and on the profound effects that the departure of members frequently has on the organization.

Nevertheless, after an organization is founded, proven practices and well-trodden communication paths emerge relatively quickly. However, these practices and paths are based exclusively on daily routines. As a result, if deviations arise, the ability to protest against them is limited.

As the organization continues to grow, these decision premises—which were never really decided on—are gradually codified, modified, or banned through official decisions.

After their founding stage, the start-ups, new government agencies, alternative media projects, or political initiatives that once made decisions without the support of decision premises increasingly attempt to establish structures by specifying binding goals, creating standardized processes, introducing hierarchies and cosigning authority, and launching official staff policies. It is interesting to note just how much these organizations will seek to create stability through set programs or formalized communication channels, and just how much the personnel decision premise will continue to play a role.

### *What Structural Types Are Immobilized?*

A look at the different types of organizational structures shows which structural elements are “immobile”—i.e. which structures are unchangeable or can only be changed at the cost of a loss of identity. For example, in the Protestant, Muslim, and Jewish communities, it can be observed that an important component of their “programs” (their focus on the Old and New Testaments, the Koran, or the Talmud) is treated as sacrosanct and is thus immobilized as a decision premise. The dogmatization of the writings of Karl Marx and Friedrich Engels also led to a form of program immobilization in the Marxist-Leninist party organizations that sought to implement state socialism. As a result of such immobilizations, changes can only be made if deference is first shown to the immobilized decision premise. If the books of Matthew, Mark, Luke, and John—or the works of Marx and Engels—are taken as absolute, the only flexibility the programs can have lies in the way they are interpreted and implemented (see Luhmann 2003).

An organization’s *communication channels* can also be immobilized. Political parties in democratic countries, for example, not only serve as participants in a macro-democratic process, but must also act as if their communication channels were democratic. Even if success in politics is



based on turning party members into “well-disciplined voting fodder,” as Max Weber once remarked (1919, 39f.), and the party is essentially governed by its own oligarchy, the formal communication channels must be presented as if they are part of an organization governed from below, in which all important questions are decided by the party base. In many countries, any attempt to transform these communication channels into dictatorial forms would run afoul of the constitution and result in the banning of the party.

In many cases, *staff* is also immobilized as a structural element. Striking examples can be found in family-owned companies, which tend to recruit executive staff from the owners’ families. This policy severely restricts flexibility in staff selection. Certainly, these firms have a large number of family members to choose from (e.g. the first or the second-born daughter) and can gradually groom individual members for their positions or transfer ill-suited relatives to somewhat less important roles. However, filling positions from the outside is generally avoided because it would destroy the character of the family enterprise.

### ***How Can the Different Types of Structures Replace One Another?***

We can also view the different types of organizational structures from the perspective of their mutual replaceability. When tasks such as the development of a new medication, victory in battle, or school reform cannot be extensively defined in a program, the demands faced by the decision-maker almost automatically increase. Conversely, if a person does not possess all the necessary abilities for a position, the involvement of other staff must be ordered, hierarchical supervision must be intensified, or programs must be strengthened. If it proves impossible to depend on programs or personnel, the organization must rely on communication channels in the form of a deep hierarchy, as seen in low-wage factories in China or Mexico (see Luhmann 2018a, 183).

This substitution of structural types can be observed in all reform processes. The modularization and standardization of courses of study

at universities usually results in a loss of importance of the personnel decision premise. The content and form of examinations and, with some limitations, curricula become so standardized that it is of little importance who teaches the course or conducts the examinations. In extreme cases, study guides are distributed, readymade PowerPoint presentations are projected onto the wall, and standardized tests are drawn up. Due to these precise programs, it does not matter who conducts the course. The knowledge acquired by the students is evaluated using multiple choice tests that can be graded by student assistants or by the secretary, or that can even be fed directly into a computer.

### **3.2 The Informal Side: Exchanges and Bullying in Organizations**

When people join organizations, they usually recognize relatively quickly that getting ahead takes more than just adhering to formal structures. During their first few days on the job, they are confronted with expectations that have not been outlined in job descriptions, specified in process manuals, or articulated as direct instructions from their managers. However, before anyone enters an organization, only the formal expectations can be put into words, such as who new employees report to and which of the official regulations apply to them. All of these rules can be established by formal decisions. By contrast, the way new employees are to be integrated into the organization's informal structures cannot be defined because such requirements could be rejected as inappropriate by the prospective employees, because the organization itself often does not recognize its own informal structures, or because, even if it did, it could not condone them officially. It can be difficult to make clear to new employees that their main task consists of cushioning their colleagues from their top-level manager and her occasional outbreaks of anger. A new field representative in the pharmaceutical industry will probably receive only indirect information about the methods (possibly on the border of legality) that a company uses to get a doctor to prescribe a certain medication.

Nevertheless, experience generally shows that members of organizations are doomed to failure if they adhere too closely, or exclusively, to formal demands. Organizations seem much more chaotic than may be conveyed by their well-communicated formal structures or the images they project to nonmembers. Organizational research uses a variety of terms to describe this chaos: “informality” as opposed to “formality” (see Barnard 1938, 120), the “underlife” of an organization that emerges beyond the scope of official regulations (see Goffman 1961, 171ff.), or the “organizational culture” that significantly influences organizational actions (see Pettigrew 1979, 570ff.).

But what exactly is meant by these terms? What constitutes informality in an organization? What does the underlife of an organization look like? And what is organizational culture?

### **The Informal Structures of an Organization**

Informality is often understood (and misunderstood) as an “oasis of humanity,” as a sphere of “kind relationships” within the hard steel cage of an organization. According to this view, it is here that “people can still be human beings,” while the organization is otherwise marked by “conditions of capitalist exploitation,” “bureaucratic administrative ideologies,” or “alienated work activities.” It is claimed that informality makes it possible for playful, emotional interactions to emerge between people, who are otherwise required to function like cogs in a machine.

Yet it is misleading to define informality from a humanist perspective. The informal initiation rites used by boarding schools, military units, or university fraternities are not always reconcilable with the UN Charter of Human Rights. The methods used by cliques in organizations to enforce their informal expectations of other employees are often more brutal than the actions taken by managers to bring staff into line, because managers are limited by the formal structure. Instead of viewing informality as a concept invested with a positive morality, we must first precisely define what informality is in contrast to formal structures.

### *Structures*

A single deviation from a rule or the one-time use of an unusual method does not justify talk of informality, organizational culture, or an organizational underlife. We use these terms only when we recognize that the deviation occurs with a certain regularity and has a certain structural quality. An interpretive pattern does not attain the status of an informally proven mode of thinking until it is used by more than one individual and has crept into the organization as an expectation. A last-minute arrangement with a colleague in an adjacent department does not become an informal structure until it is repeatedly used to “cut red tape” and ceases to be a mere exception. Thus, informality is not defined as a one-time improvised activity used to clear a path through the jungle of requirements and regulations, but as a network of proven, well-beaten tracks that are repeatedly taken by members of the organization.

There is an easy way to recognize an informal structure in contrast to a one-time deviation: the response of others. If a type of behavior is expected, then it is a structure, even if it violates the organization’s formal regulations or breaks the law. If other members respond with confusion, uncertainty, or annoyance, we can be sure that the behavior in question is not covered by informal structural expectations. There is, for example, an unwritten law in soccer that a team will deliberately kick the ball out of bounds if a player on the opposing team is injured. If a player dares to break this rule, the informal expectations might not be enforced by referees—who are, after all, only in charge of written rules—but by whistles from fans, by clear “messages” from members of the opposing team, or even by pressure from the player’s own team. In other words, the dominant expectation (or structure) is that a soccer player will not take advantage of an outnumbered team to score a goal, although this would in fact be perfectly legitimate. The player is expected to pass up on this opportunity.

Thus, informal structures are also decision premises, preconditions that apply to a wide range of decisions in the organization. And yet, to ask the obvious follow-up question, what distinguishes such informal decision premises from the decision premises set by formal structures?

### *Informality*

The definition is quite simple. All of the expectations in an organization that are not (or cannot be) formulated on the basis of the conditions of membership are informal. A manager can approach her secretary with an informal expectation, such as working longer hours than contractually stipulated, but if her secretary fails to comply, she cannot issue a warning. A public administration, political party, or branch of the military that initiates disciplinary proceedings against a member will lose its case if it is forced to admit that the member acted correctly in a formal sense but merely violated the organization's informal expectations.

There can be various reasons for not officially formulating expectations as conditions of membership. The organization might lack the confidence to clearly express a certain expectation through a decision, because it could mean a loss of legitimacy if the expectation were to become known. Perhaps the informal expectation runs counter to one of the organization's official principles and, as a result, the organization can only allude to it indirectly. Perhaps some of the expectations are so hazy and vague that they defy being cast in specific terms. What all of these cases have in common, though, is that *no* official decision was reached about the respective expectations, yet they still exist in the organization.

Informal practices can emerge at the level of individual groups within the organization. This will lead to the development of norms—for example, the rule that employees should avoid doing an excessive amount of work or setting the bar too high while at the same time not hurting the group through poor performance. Informal practices can also establish themselves at the level of departments or divisions. One need only think of the well-coordinated, illegal customer retention methods practiced by many pharmaceutical sales departments that are spread over several locations. And, finally, informal expectations can arise at the level of the overall organization. For example, there is a rule in many armies that an injured or dead soldier will never be left behind in enemy territory, even if the soldiers have to risk their own lives to recover their comrade.

### *Informal Structures Represent Undecided Decision Premises*

By combining these two observations—the structural nature of expectations and the lack of a connection to the officially declared conditions of membership—we can offer a definition of informality that is not focused on human beings or human benevolence. Informality, the underlife of organizations, and organizational culture are *undecided decision premises* in organizations (Rodríguez 1991, 140f.). Although this formulation may initially seem abstruse, the underlying concept is straightforward. Agreements may exist on the way organizations make future decisions, but they have not resulted from decisions by a board of directors, a party convention, or the pope. Instead, they have successfully crept in as habitual practices. Even if we look long and hard in an organization, we will not find specific decisions on which such agreements are based, yet they act as decision premises nevertheless.

Such undecided decision premises can prove highly tenacious for the very reason that they are not the outcome of any decision. As a result, it is not easy to make them disappear through a decision. There are companies, public administrations, and hospitals in which proven methods of soliciting business or awarding contracts have persisted for decades, surviving not only official prohibition by the board of directors but also tougher legal sanctions. There have been cases of corporate mergers where the official regulations of the two organizations were standardized within the first six months, but the informal processes that had established themselves in one of the original organizations remained in place for decades (see Hofstede 1993).

### **Why Does Informality Emerge? A Look at Functionality**

An organization that contented itself with employee compliance with its formal regulations would be lost. Anyone who doubts this should try doing only what their company formally requires of them for several days. The work process would probably come to a halt. The result

would be growing pressure from colleagues and supervisors to “take a more relaxed view of things” and not jeopardize the work flow by being “overly bureaucratic”—which is what adherence to formal expectations is then called.

There is good reason why “working by the book” is one of the most effective ways workers can strike. It entails strict adherence to the official rules, even if these rules are not entirely appropriate in a given situation and would normally be silently ignored. Employees recall outdated regulations that have never been formally withdrawn and then hamstringing operations by blindly obeying them. They follow all the rules and instructions to the letter, and it is precisely this overcompliance that paralyzes organizations. The sole focus on formal structures and the associated rigidity threatens to break the organization (see Crozier 1963, 247ff.).

The realization that organizations cannot rely exclusively on formal structures is almost as old as organizational research itself. Max Weber not only examined bureaucracies in considerable detail, but also demonstrated how bureaucratic structures compete—and can also cooperate—with existing personal networks (see Weber 1978, 956ff.). Chester Barnard realized early on that members of organizations could only function well by recognizing the “invisible government” in organizations and adapting to informal processes (see Barnard 1938, 121).

But why do such decision premises develop in the first place?

### ***Not Everything Can Be Formalized***

It is not possible to elevate every expectation in an organization to the status of a condition of membership. Attitudes, stances, and ways of thinking always seem to cause difficulties always when conditions of membership are formulated. Like many other paradoxical demands, the appeal that a person should “be creative” cannot be formalized by top management. When the head of the staff development department encourages employees to authentically represent company values

during training programs, such an appeal can hardly be reinforced by monitoring or sanctions.

The impossibility of formalizing many expectations becomes particularly evident when nonmembers of the organization are involved. A look at flight attendants or waiters shows that while personnel can be strongly encouraged to interact cordially with customers, the expectation that they speak authentically and from the heart eludes formalization. To paraphrase a play on words by the sociologist Arlie Russell Hochschild (1983), it is impossible, from the outside, to “manage the heart.” Organizations can only manage, to a limited degree, the façade that is constructed for nonmembers. Whether the occupational group is flight attendants, waiters, prostitutes, or pastors, feelings cannot be formalized, which explains why these feelings are usually institutionalized only as informal expectations.

The social interactions between members of an organization is another sphere where formalization has its limits. Certainly, the conditions of membership may be defined in terms of one department’s obligation to supply information to another, but it is difficult to formalize the expectation that members behave in a collegial manner toward one another.

The expectations that cannot be completely translated into conditions of membership can be called *undecidable decision premises*, as a subtype of undecided decision premises. This includes virtually everything we find in the jumbled lists in the practical literature about organizational culture: attitudes, modes of thought, stances, mutually shared assumptions, orientation patterns, unquestioningly accepted causal attributions, and formulaic knowledge.

### ***Not Everything Is Formalized***

Although some expectations can in principle be formalized and compliance with them can be monitored, organizations consciously or unconsciously refrain from this type of formalization. For example, employees may reach an agreement on a procedural shortcut that could be



formalized by official instructions. What is at stake here are the tricks, back channels, and shortcuts that pervade organizational life and that theoretically could be translated into officially endorsed routines. They represent not undecidable decision premises, but *decision premises that are basically decidable, although no decision has been made*.

The emergence of this type of informality is attributable to the fact that organizations are confronted with contradictory demands that cannot be resolved through decisions at the formal level. In organizations, there can only be one “consistently planned, legitimate formal order of expectations” (Luhmann 1964, 155). Consequently, responses to contradictory conditions require a high degree of informality (see Luhmann 1964, 154). In order to survive, organizations need “a wealth of work activities that cannot be formulated as formal expectations.” For this reason, management often has no other choice but to tolerate or even promote illegality (Luhmann 1964, 86).

Ultimately, this contributes to rules persisting despite their rigidity. From time to time, rules in fact need to be broken so they can continue existing as rules (see Dalton 1959, 219). The only reason organizations can adapt so quickly is that their members make situation-based decisions on whether to comply with formal structures or take informal paths.

### Forms of Informality

Different forms of informality can be identified. Some informal expectations are linked to the organization’s *programs*, whether these consist of well-established routines (conditional programs) or unarticulated objectives (goal programs). Other informal expectations relate to *communication channels*, such as when employees are expected to communicate with one another without involving their superiors, or when an unofficial hierarchy emerges among employees who are formally equal. On the *personnel* level, expectations might be formulated that cannot be referred to officially, such as the expectation that employees use personal contacts in their work.

Alternately, forms of informality can be classified according to their relationship to the organization's formal order. It can make a big difference whether informal expectations are compatible with the organization's formal rules and standards (as is often assumed in the literature on organizational culture), or whether they violate formal expectations or even break laws.

### *Informality That Is Compatible with Formality*

There are diverse informal expectations in organizations that cannot be enforced by referring to the conditions of membership, but which do not break any of the organizations' official rules (see Luhmann 1982c, 31ff.). In most companies, public administrations, and universities, the expectation that employees establish a kitty to pay for refreshments for a department's guests does not run counter to official policy. The pressure to contribute to the kitty (although this could be settled by decision) is exerted only informally because no one wants to elevate it to a condition of membership. The same is true of the expectation that colleagues help one another, which normally does not contradict official expectations of membership.

Informality that is compatible with an organization's formal structures fills gaps in the organization's body of rules. At the same time, it often serves as an additional way to reinforce formal expectations. In all armies in world, even in small countries in East African and Central America, there are formulations in codes of military law, service regulations, and daily orders that demand camaraderie among soldiers. Evening events are held to build comradely relations, and offenses such as stealing from a fellow soldier are classified as a breach of camaraderie and punished more severely than in other organizations. Because rescuing a comrade from a deadly situation is hardly enforceable as a condition of membership, armies effectively use informal expectations to enforce the rule that comrades help one another.

### *Informality That Breaks the Rules*

As can be seen with many forms of informality, often the only way a person can fulfill an informal expectation is by violating an organization's formal expectations. This relates to both minor and major deviations from its official objectives, violations of prescribed if-then programs, and attempts to circumvent a supervisor in order to make quick progress in a matter. In this context, Niklas Luhmann speaks of "useful illegality." However, this term does not imply breaking the law in the narrower sense, but merely violating the rules and standards of the organization (see Luhmann 1964, 304ff.).

Automotive assembly provides a useful example. Due to product liability, axles are still mechanically joined to steering systems in car production, a step that must be certified by both the production engineer and the quality control manager. Because collecting signatures involves a time-consuming process, it has become commonplace in many plants for the foreman to obtain the necessary signatures on blank forms in advance. This may violate the rules, but it is a well-established practice that in many companies has never been sanctioned by an official decision. Due to liability problems, it never will.

In the case of this type of rule-breaking informality, supervisors who become aware of the illegal activity must step in to sanction the members involved. If they fail to do so, their own conduct can be viewed as an infraction of the rules. As a result, senior members of organizations, in particular, often pretend that they are not aware of such deviations, which in fact are frequently useful to the organization. In this way, they can shift responsibility to their subordinates in the event that violations become known.

### *Informality That Breaks the Law*

The situation becomes even more serious if the fulfillment of informal expectations constitutes a breach of current law. Examples include illegally tampering with the trip recorder in a truck in order to allow

drivers to spend more time behind the wheel, using wires to bridge fuses on manufacturing machinery in order to keep production running despite damaged equipment, violating official working time regulations so that a job can be finished on schedule, or the small favors shown to employee representatives that in fact constitute an illegal breach of trust. These cases, as least the moment they become known, are subject not only to the organization's rules, but also to overarching governmental regulations.

Rule violations are vulnerable to discovery and exposure by individual employees. If a law enforcement agency is called in by a member of the organization (a so-called whistleblower), there are few options in the Western world to prevent a police investigation. Major electronic groups are known to engage in the systematic bribery of government authorities in order to obtain contracts for the construction of power plants, subways, or airports, but this always brings the risk that exposure will trigger investigations, not only inside the organization but externally as well.

When a violation of the law is discovered, it normally leads to a heated battle over accountability. The organization may try to personalize the infraction—in other words, to pin responsibility on an individual member. Conversely, it is useful for employees who have broken the law to attribute their misconduct to the existence of general informal expectations within the organization. If they succeed in demonstrating that the infraction represents a regular, cross-departmental action implicitly expected by their superiors, the circumstances will be viewed as extenuating. However, because the organization is also eager to avoid taking responsibility, it will often offer incentives in such cases to convince members to assume the blame.

### **Enforcing Informal Expectations**

As we have shown, the challenge that organizations face when enforcing informal expectations is that these expectations cannot be connected to the conditions of membership. Because a business cannot officially announce that it is acceptable to violate working time regulations for

particularly important orders, it cannot officially punish employees who decide to leave the company at the end of the official working day. Because values such as collegial relations and camaraderie are too abstract to be translated into specific actions in a given situation, it is difficult to hold individual members of the organization officially responsible for violating the related norms. If conflicts arise, members can retreat to their formal role. Organizations can reproach members for this withdrawal only in indirect ways; they cannot openly declare it to be misconduct (see Luhmann 1964, 64). For this reason, highly specific forms of positive and negative sanctions have evolved as a means to enforce informal expectations.

### *The Principle of Exchange: Positive Sanctioning*

Normally, the formal structure of an organization contains only a small number of exchange elements. Members of organizations are generally paid fixed wages or salaries and cannot expect to receive, for every single action, additional remuneration or rewards from their colleagues, superiors, or subordinates. When an employee, contrary to formal requirements, does not pass on information to a colleague, but instead tries to cast the sharing of information as a personal favor, the colleague will be annoyed. A secretary who expects her boss to provide more than symbolic recognition for typing a letter—in the form of chocolates, flowers, special vacations, or extended work breaks—will have difficulty keeping her job (see Luhmann 1964, 288ff.).

However, while organizations may be “exchange-averse” in terms of their formal structure, exchanges play a central role in enforcing informal expectations. A situation may emerge, for example, in which miners are expected to work harder during working hours and even exceed formal targets, so that after three or four days of grueling work they can take an unscheduled day off in order to get drunk together. One favor is exchanged for another (Gouldner 1954).

From the perspective of exchange processes, it can make sense—as some organizations show—to completely overwhelm members with

formal expectations. The constant violation of these expectations creates sanctioning options for their supervisors, which can be bartered for good conduct on the part of the members. Research conducted into armies shows that soldiers are constantly caught in a “norm trap”: the large number of formal regulations governing salutes and physical posture, personal hygiene, the care of uniforms, and the cleanliness of living quarters and equipment keeps them in a state where they are constantly subjected to criticism (see Treiber 1973, 51). Officers can create goodwill among soldiers by tolerating violations of formal expectations. In turn, this goodwill can be used to impose behavior that is not covered by the formal structure. In some cases, though, even lower-level members of organizations can profit from the fact that an organization is strictly formalized. Elaborate regulations, clear work instructions, bureaucratic rules, and precisely defined working hours represent more than just restrictions. According to the sociologist Alvin W. Gouldner (1954), they can be used as bargaining chips with superiors when it becomes necessary to deviate from the rules.

Such exchange relations are rarely discussed openly. Direct deals—e.g. “If you let me smoke in the office, I’ll stay later today”—are the exception. Instead, it is assumed that the payoff for an informal concession to a colleague, supervisor, or subordinate will materialize at some later point in time (see Luhmann 2002, 44). Members do other members favors in the hope that they will be recipients of such favors somewhere down the line.

In the final analysis, this poses a risk for the party who makes the initial effort. It is never possible to predict whether a favor will be reciprocated by the other party. When illegal contributions to a political party become public knowledge and a party official takes the fall for the party chairperson by resigning, she is justified in hoping that she will later receive an appointment as defense or labor secretary as a reward for her sacrifice; however, she cannot depend on it. This type of “advance payment,” which is characterized by uncertainty over whether payback will actually be forthcoming, hinges on an attitude that plays an important role in informality: trust (see Luhmann 1979, 52ff.).

The perpetuation and spread of such trust-based relationships in organizations can lead to the formation of loyalty-based groups, cliques, and old boy networks in which members make long-term commitments to one another. In cases where these networks are dominated by a single individual—whether in public administrations, businesses, hospitals, or political parties—the organizational sociologist Horst Bosetzky, with reference to *The Godfather*, speaks of the “Don Corleone principle”. Much like a mafia boss who creates loyalty among his subordinates by doing “good deeds,” managers help out employees with favors so they can rely on their loyalty at some point in the future (see Bosetzky 1974).

### ***Resorting to Bullying: Negative Sanctioning***

When the normal exchange processes in organizations cease to function, there are often negative assignments of blame. A somewhat innocuous criticism is that the “chemistry” with a colleague is not right or that so-and-so takes the rules too seriously and records every discussion in company files. Another employee might be labeled the boss’s favorite, an overzealous worker, a mooch, or a snitch, with whom it is impossible to work.

Because informal expectations cannot be enforced formally—e.g. through a written warning or threats of dismissal—other means must be used. Urgently needed information may be withheld from a spiteful colleague to keep him from properly performing his job. In dealings with other departments, an employee may stop hiding the mistakes of an uncooperative manager and let her deal with the consequences herself. If workers push too hard for their formal rights, their supervisor may resort to harassment from above (“downward bullying”) and withhold the important resources they need to perform their duties.

It should not be forgotten that, in efforts to enforce informal expectations, organizations can draw on the resources created by their formal structures. For example, due to their weak position in the hierarchy, directors of vocational schools often have difficulty enforcing their expectations of teachers. They generally do not have the power to dismiss

teachers, and their ability to influence their careers is also limited. However, they do have one way to make recalcitrant faculty fall in line: they can assign them unwanted courses—e.g. Remedial English or Remedial Math instead of Advanced Motorcycle Repair or Computer Network Management. If the troublesome teachers still do not get the message, they might be shunted from one subject to the next until they behave in the expected manner or request a transfer to a different school.

Sanctioning practices such as these are often seen as bullying. In the mass media, they may be described as “psychological terror on the job,” “workplace harassment,” or “cruel behavior among colleagues.” The employees involved may attribute the bullying behavior solely to a person’s character—the boss’s sadism or a coworker’s cruelty—but from the perspective of organizational research, it is of interest to note that it goes hand in hand with efforts to enforce informal norms in organizations. Because informal expectations can only be enforced through informal channels, they can result in sanctioning practices that the organization itself cannot prevent through directives, regulations, or handouts.

### **Courses of Action: Beyond the Dream of Influencing Organizational Culture**

In current organizational practice and research, the concept of informality tends to be considered old-fashioned and in many cases is tacitly replaced by the concept of organizational culture. Perhaps because of the inability to come up with a definition or an insufficient interest in precision, the literature on organizational research has never really clarified what “culture” is, what it is characterized by, what impact it has, and how it should be studied. Consequently, the terms “informality” and “organizational culture” are often used interchangeably to describe the very same phenomenon: an organization’s undecided decision premises.

One reason the concept of organizational culture emerged was that it reactivated a “dream” that had long influenced managers’ thinking



about informality: the dream of harnessing informal networks, hidden incentive structures, and implicit modes of thought for managerial interests. The human relations approach in the second half of the twentieth century was associated with hope that diverse informal processes could be translated into formally accepted procedures, thus meeting human needs in the workplace. This was seen as the key to increased efficiency (see Roethlisberger/Dickson 1939). Ultimately, this led to the idea of “technocratic informality” (Heydebrand 1989, 343f.), which aimed to enable management to shape and control the many negotiations, implicit understandings, and ad hoc agreements in organizations.

The best-selling book *In Search of Excellence* by the organizational consultants Thomas J. Peters and Robert H. Waterman (1982) played a special role in reactivating the view of “soft factors” as shapeable success factors in organizational culture. Management’s hopes of exerting a formative influence on culture was fed by a simple promise: the idea that the success of a company, public administration, or university did not depend primarily on its formal structure, but on its culture. Ultimately, an organization’s identity, special knowledge, work style, and regular personnel was thought to determine its success or failure.

As the concept of informality transitioned to that of organizational culture, two minor shifts in emphasis could be observed. First, the concept of organizational culture more strongly stressed typical ways of thinking, value systems, and patterns of perception in organizations—that is, undecidable decision premises. At the same time, this concept ignored deviations from the official rules and standards. After all, violations of organizational guidelines, disregard for management directives, and the pursuit of goals not agreed on by the organization are difficult to sell to management as official recommendations. Second, the concept of culture, which originated in anthropology, set its sights on the special characteristics of a few “companies of excellence” as opposed to the large number of firms of lesser excellence. It underscores differences from other cultures, while the concept of informality focuses on the differences from formality.

With these two shifts in emphasis, organizational culture long served as a magic bullet that management could use to address the growing

control problems in companies, public administrations, schools, and hospitals. When decentralized units increased the centrifugal forces in organizations, organizational culture held the parts together. When the dismantling of hierarchical levels made it more difficult to control employees, identification with organizational culture held them in check. The concept became a kind of fetish that was employed to superficially renounce traditional ideas of management while preserving a hidden belief in an order that, although difficult to access, could nevertheless be controlled (see also the critique by Luhmann 2018a, 193f.).

However, while management may create an ideal image of its organizational culture, spend lavish amounts of money on developing mission statements for its employees, and disseminate humanistic prose in workshops, it cannot be certain that any of these cultural programs will have a long-lasting effect on employees. Established patterns of thought, value systems, and informal behavioral norms cannot be rationally controlled, formalized in programs, or technocratically administered—that is the very nature of undecided decision premises. Organizational culture evolves as an order of its own accord. While this does not preclude change, the changes to culture cannot be introduced by decree (Luhmann 2018a, 195f.).

Even worse, when managers embrace certain guiding principles and cultural values in speeches or glossy brochures, the target audience usually has the lingering suspicion that they are simply paying lip service. Organizational culture is a little like sex: the more people talk about it, the more their need to talk creates the impression of an acute deficiency. This explains why employees often respond cynically to organizational culture programs imposed from above. If senior management were to order assembly line workers to carry a plastic card in their overalls printed with the company's latest mission statement, it would probably meet with sarcasm among workers.

But what options are there for changing organizational culture? What opportunities are available to management to intervene? It may sound paradoxical, but the central mechanism for changing informality—or organizational culture, if you will—consists of decisions about the formal structure. Contrary to what some control enthusiasts would

have us believe, this does not mean that changes in the organizational culture can be decreed by proclaiming a new formal structure. Rather, change results from the fact that every shift in official reporting channels, every announcement of a new target, every new hire, transfer, or dismissal affects the way work is informally coordinated in divisions, departments, or teams.

Naturally, no one can predict exactly how a modification of formal structures will affect the level of organizational culture. However, organizational research has at least shown how formal and informal expectations intermesh and what impacts formal characteristics can have. By addressing several key questions, we can gain a better understanding of this topic.

### *To What Degree Are Expectations Formalized?*

One of the main opportunities for intervention lies in determining how strongly expectations are formalized in the first place. After all, organizations enjoy substantial latitude when defining the degree to which their expectations of members are officially codified in programs, process manuals, lists of goals, hierarchies, voting rules, or job descriptions.

One strategy can be to formalize as *many* expectations as possible—in other words, to make fulfilment into an enforceable, verifiable condition of membership. To this end, organizations may issue detailed instructions that everyone is required to follow. The entire organization may be planned by means of detailed targets (“management by objectives”), and compliance may be strictly monitored. A large amount of energy will then be expended on standardizing communication procedures and defining the circumstances that permit deviations from standardized communication.

There are many reasons for intensifying the formalization of expectations in this manner, including the impression on the part of senior executives that they are losing control, the desire for rationalization measures to trim the fat in organizations, or the hope that a deeper hier-

archy will make it possible to assign responsibility to individuals. There may sometimes be legal reasons for increased formalization, such as the requirement that certain work processes be precisely documented. It is also common for requests for formalization to come from below. Often, the demand by employees for more orientation or greater security is nothing more than a desire for the conditions of membership to be expressed more precisely.

Because the contradictory demands placed on organizations cannot be incorporated into a consistent edifice of formal rules, the inevitable effect of intensified formalization is an increase in rule violations. Automobile manufacturers, for example, require their suppliers to comply with very precise quality standards for the dashboards, steering wheels, and axles they deliver, and the manufacturers' certification procedures have a substantial impact on the suppliers' production processes. These expectations are often so rigid that, alongside the ever-intensifying standardization and formalization processes, suppliers are left with no alternative but to increasingly routinize the deviations required by last-minute production adjustments, and to establish a second, unofficial system of controls.

The state-run enterprises in the Eastern Bloc exemplified the effects of excessive formalization. It is worth pointing out, though, that the bureaucratization of processes *within* companies was not the special feature of command economies—in this respect, the enterprises differed surprisingly little from those in free market economies. Rather, it was the bureaucratization of relations *between* companies. A government planning agency determined the amount and quality of the products they had to produce, just as it determined which parts they received for production. As the economist Joseph S. Berliner observed in the 1950s, this had the effect of creating an “underlife” in planned socialist economies that lived from barter relations. According to Berliner, the only way the director of a company in the Soviet Union, East Germany, or Yugoslavia could be successful was to engage in any number of officially banned practices in coordination with other companies (see Berliner 1957, 324).

There can be benefits to working with such overregulated systems and the accompanying increase in rule violations, especially when orga-

nizations need a constant means of exerting pressure. For example, in government methadone programs, the distribution of the heroin substitute is strictly regulated. Each phase of treatment must be documented in detail. Methadone can only be dispensed in medical practices, and to receive it, addicts must undergo psychological counseling. These rigid legal requirements are often difficult to reconcile with the required medical treatment of heavy users. The effect of the tight regulation is that doctors commit rule infractions, misdemeanors, or even crimes in order to ensure that the program is successful, even patients who are difficult to treat. While this is an unpleasant situation for the individual physicians, it provides the government with interventionary options that it otherwise rarely has due to the self-regulatory nature of the medical profession.

### *Under What Circumstances Do Organizations Forgo Formalization?*

The opposite approach is also possible. Companies, political parties, or initiatives may largely refrain from formalizing their expectations of members. In this case, processes are not standardized, but adapted when needed. Targets are jointly defined, but they may be modified, missed, or even abandoned without violating the rules of membership. Only a limited number of authorized communication paths are set up through hierarchies, collective bodies, or cosigning authority. Instead, efforts are made to ensure that everyone can communicate with everyone else. In extreme cases, organizations do not even define—through formal entry barriers—who is a member. Rather, influence and rewards in the form of money, advancement opportunities, or social recognition depend on the services rendered to the organization.

There are various reasons for refraining from formalization: frustration with excessive bureaucratic management, the difficulty of motivating poorly paid or even unpaid employees in a strictly regulated hierarchical organization, political convictions about the need to democratize organizations, or the adoption of the latest ideas on

reorganization concocted by management gurus. The efforts to formalize organizations are encountered not only in left-wing political groups or collectively run businesses, but also among the founders of start-ups or the executives at major corporations, who are receptive to the latest management trends.

Interestingly enough, forgoing formalization on a large scale does not result in an “anything goes” atmosphere. Instead, organizational research shows that proven practices, patterns of cooperation, and resilient interpersonal networks emerge.

Because formalized criteria for joining or leaving such organizations barely exist, specific mechanisms for regulating *membership* develop. People are often inducted into such organizations by close friends in their network. Particularly in organizations that largely do without formalization, there tend to be fluid boundaries between personal and organizational relations. Members are not forced to leave the organization with reference to a violation of membership rules; they are often driven out by hostile treatment.

The sociologist Jo Freeman (1972, 157f.) observed that when organizations forgo formalized *hierarchies*, particularly in their upper echelons, a “star system” is often imposed from outside. The mass media, for example, may require spokespeople who can provide information on behalf of a political organization. Political parties may require contacts among potential coalition partners who can enforce agreements internally. Customers need someone to turn to if they have problems. If an organization does not create these key positions, they will be defined externally. The mass media will choose a particularly articulate individual in a grassroots political organization, even if that person has not been officially designated as a spokesperson. If a political party has no leader, its coalition partners will negotiate with the person who best fulfills their needs. If a company refrains from identifying customer service staff, the public will approach the staff member who happens to be available at the moment or has the highest visibility. The problem with such star systems, though, is that the organization has no way of removing the stars who have been designated externally, except by creating leadership positions within a formalized hierarchy.

Even loosely formalized organizations can easily be aligned with *goals*. People may join together to fight for universal basic income, start a taxi collective, or found an Internet company with a dynamic image designed to attract large amounts of venture capital. However, according to Freeman, the lack of formalization produces organizations that are long on motivation and short on results. Her research on feminist organizations shows that organizations with a low degree of formalization are good at “getting women to talk,” but bad at “getting things done.”

### ***What Is Formalized and How Does It Influence Informality?***

Informal expectations, partially crystallized into organizational cultures, always emerge when problems cannot be solved through directives (see Luhmann 2018a, 194). Or, we might add, it is only through directives that informal expectations are created. Ultimately, the purpose of these informal expectations is to offset the rigidities produced by formal structures.

As far as *programs* go, we can observe that formal and rigid if-then programs are often offset by an accumulation of informal goal programs, and vice versa. For example, traditional assembly line production in the past was based on a conditional program, but when capacity was strained, companies assumed that assembly line workers would not strictly adhere to the program, but take other goals into account such as the punctual fulfilment of orders. One might speculate that the only reason the Taylorist organization caught on was that it was systematically undermined in operational practice. Had workers and salaried employees worked according to the official Taylorist system—on this point organizational researchers broadly agree—it would have led to chaotic conditions. That employees gain influence in organizations from informal concessions is shown by fact that they often vehemently oppose the introduction of partially autonomous work groups in which they are required to do the same amount of work, but within a formal structure.

As far as *communication channels* go, we can observe that organizations with many hierarchical levels also use informality as an offset, and that the large number of levels is pared down to a practicable scale. In order to speed up the decision-making process, managers are bypassed and methods of operation are agreed on directly with managers at the next higher level. By contrast, in organizations with very few hierarchical levels, clearly defined informal groups of leaders emerge who make it possible to reach agreement relatively quickly among individuals on the same hierarchical level.

Such offsetting mechanisms can also be observed among *personnel*—for example, when a role in the organization conflicts with an outside role. This is the reason that attorneys, police officers, physicians, and therapists are formally forced to turn down cases that affect them personally, though they will often continue to monitor the cases informally. The opposite can be seen as well. If professional guidelines require these professionals to accept cases in which they are personally involved, they will often try to persuade their colleagues to assume overall responsibility through informal arrangements. The plots of countless TV series about lawyers, detectives, doctors, and therapists live from the tensions inherent in such situations.

As a result, it must always be anticipated that the introduction of formal expectations will lead to the emergence of informal offsets to the control gaps and rigidities of formal expectations. In such circumstances, informal expectations may come to dominate daily routines in organizations, but when conflict arises, members can always play the trump card and refer to their formal structure.

### ***Switching between Formality and Informality***

In practice, switching back and forth between formality and informality happens all the time. When one department in an organization makes an oral request for information from another, a member of the second department may either turn it down and request that it be routed through official channels, or decide to cooperate and



provide an informal answer. A worker may formally discuss a process with her supervisor and thus risk an official refusal, or she may approach the topic informally so that the request, if turned down, can be reintroduced at a more favorable point in time (see Luhmann 1964, 117).

The interplay between formal and informal structures can be seen as a characteristic of organizations that distinguishes them from other social systems such as marriages, groups, nations, or movements. The relationship between formal and informal elements gives rise to a very curious form of cooperation. Conflicts are managed with discipline and sensitivity because consideration must be given to the ongoing formal cooperation (Luhmann 1964, 246).

As Niklas Luhmann observed early on (Luhmann 1964, 246f.), the potential for informal forms of cooperation gives organizations a certain lightness. Conflicts do not need to be settled immediately through formal decisions. Participants can hash things out informally. Ongoing business operations often produce new solutions and new power relations that can be sustained over the longer term without formal reinforcement. In such cases, formal decisions such as the promotion of an executive who has informally outgrown her current hierarchical position simply serve to confirm conditions that already exist.

At the same time, the existence of a formal order prevents organizations from becoming balkanized and collapsing due to never-ending informal conflicts (see Luhmann 1964, 247). All the parties to a conflict know that it can ultimately be resolved by a formal decision. As a result, they often tone things down, realizing that the conflict can, if necessary, be settled at the next higher hierarchical level. Because the parties are uncertain about what formal decision will be made—and because they know that hierarchies dislike taking this route—it is relatively rare for them to use the option of formalizing a decision about a conflict. Nevertheless, it remains an option that continues to influence the way members of organizations interact.

### 3.3 The Façade: Organizational Hypocrisy

The first descriptions that outsiders receive from companies, public administrations, universities, or hospitals usually seem strangely smooth. During visits to a company, its characteristics are extolled. At career fairs, government agencies and hospitals have nothing but the highest praise for themselves as employers. During fundraising efforts, aid organizations such as UNICEF, Amnesty International, and Oxfam underscore their administrative efficiency and generate positive publicity by presenting certification from outside review agencies.

Although many journalists fall for these slick presentations, a standard complaint among the press is that members of organizations switch to “goodspeak” as soon as they are asked about conditions in their organization. Faced with this conspiracy of silence, journalists often rework materials prepared by organizations into their own articles rather than having nothing to write at all. This often leads to mind-numbing reports on officially announced sales and profit figures, articles that reveal a fairly naive understanding of organizations and regularly call for more organizational ethics or customer sensitivity, or a news-you-can-use style of journalism that is reminiscent of the tabloid press and focuses on such things as what hotels today’s managers use, where they play golf, and what kind of body lotion they prefer.

Many researchers believe that when they send questionnaires to management, the answers they receive reflect the reality of organizations—as opposed to what the respondents believe the researchers want to hear. As a result, academic research often depicts organizations as having their fingers on the pulse of time and doing everything in their power to implement popular values. Many scholarly articles that outline what is needed for success in world-class companies—based on survey responses from top decision-makers—probably cause amusement among those who know these world-class companies from the inside.

What lies behind the polished descriptions of organizations? How can we analyze them? What function do they perform inside the organizations?

### Sprucing up the Organization

We could use the term “sprucing up” to describe the process by which organizations attempt to present a convincing, coherent picture of themselves by issuing vetted reports, intricate organizational charts, clear process flows, or polished statements. Complexity and unresolved conflict are ignored, and a second, deceptive reality is created for the outside world that has little to do with the actual processes in the organization. The observer is confronted with a harmonious, coherent whole, while on the inside there is much improvisation, conflict, and, at times, slipshod work (see Neuberger 1994).

Projections of enhanced images are familiar to us from other situations as well. We can sometimes observe how two people who are supposedly deep in conversation will try to present themselves in a specific way once they notice someone is watching. Demonstrations by the peace, environmental, and feminist movements are often carefully staged events that serve a specific political cause. Groups of adolescents who loiter at supermarkets and beg for a dollar or two may not be conforming to their parents’ ideals, but their staged rejection of middle-class norms shows what gifted performers they are. Families in the public limelight often present such a perfect picture of happiness that even their friends are surprised when conflicts cause the loving and harmonious family members to go their separate ways.

The “façades” of such social systems do not simply exist; they are created, developed, managed, and improved (see Luhmann 1964, 113). In groups, families, or even protest movements, façades often appear to be the result of improvisation, sudden inspirations, or expectational patterns that have been adopted without further examination. These types of façades emerge spontaneously in organizations as well—for example, when two colleagues suddenly and intuitively change the subject the moment a client walks through the door, or when a new member of the organization tries to guess how the dress code will change in the presence of an important guest. However, organizational façades are often managed in a coordinated, planned way. Regulations are issued to define the members’ conduct toward customers, clients,

or partners. In press, communication, and marketing departments, organizations establish groups of “façade specialists” who in turn hire external experts such as advertising agencies, PR firms, or even interior architects. In organizational research, this systematic, planned construction and management of façades is fittingly described as “impression management” and the façade itself is referred to as the organization’s “image” or “display side.”

### *The Representational Function of Façades*

A façade is an organization’s way of expressing how it wants to be perceived. Due to conscious or unconscious copying processes among employees, organizations develop their own linguistic conventions that provide orientation with respect to the outside world. Headed paper, official seals, and websites have a symbolic function and are used by organizations not only to be recognized, but also to express values. Just as a living room serves as a family’s “showroom,” so too are there specially furnished spaces in organizations that are part of the façade it presents to nonmembers. The organization’s fashion style can support the organizational image created by these rooms. An additional advantage is that, because it is not limited to these spaces, it can easily be used to make a favorable impression during visits to suppliers, clients, or partners. This aspect of the façade can be referred to as its embellishment or representational function.

With respect to their façades, organizations are often guided by cross-organizational linguistic, fashion, and spatial conventions. It is striking just how many companies, public administrations, hospitals, and universities have elevated “janitors” to “facility managers” and “secretaries” to “administrative assistants.” It is also surprising how quickly the fashions now deemed acceptable for an organization’s image become popular far beyond organizational boundaries. In companies and parliaments, women’s pantsuits no longer provoke the same angry protests as in the 1970s. They have become a permissible element of an organizational façade (at least in Western countries). But organizations

also take pains to develop their own sets of symbols to set themselves apart from other organizations. At first glance, for example, bureaucratic language may appear to be an eccentric mode of expression used by government agencies, but it should not be interpreted merely as an “eradicable practice of subaltern officials.” Rather, it has a “symbolic value for the ideal presentation” of the work done by these agencies. It thus serves to distinguish them from other organizations (see Luhmann 1964, 113f.).

As a rule, organizations try to present a consistent image of themselves. Buzzwords such as “corporate design,” “corporate communications,” and “corporate publishing” reflect attempts to standardize the symbols they use for quick and easy recognition by outsiders. Ideally, by designing items as diverse as coffee mugs, ballpoint pens, and trade fair stands, corporate designers communicate a unified image of their company. At the same time, organizations can also pursue the strategy of portraying internal diversity through a consistent image. In this case, it will not stress the uniformity of gray suits for staff, but use different fashion and linguistic styles within the organization to signal that it is staffed by various types of people, which accounts for its uniqueness.

### *The Protective Function of Façades*

Façades serve a second important purpose, that of protecting what is inside. They block the view from the outside in order to conceal potential conflicts, keep mistakes and embarrassing situations secret, or ensure that insiders have sufficient time to prepare decisions. This could be called the masking or concealing function of façades.

As a rule, organizations do not disclose to outsiders the details of manufacturing processes, administrative decisions, or the planning of course offerings. They conceal not only the minor deviations from the rules that take the form of ruses, tricks, or shortcuts, but also the many processes that may conform to the rules but only are of limited suitability for outsiders (see Luhmann 1964, 114). The legitimacy of political decisions would be undermined if voters received detailed

information about the many decisions that result from wheeling and dealing among political parties.

If possible, mistakes should never be recorded in files; under no circumstances should they reach the public. After all, as Niklas Luhmann (1964, 114) has pointed out, “Visible errors are much more erroneous than hidden ones.” This is one of the main reasons that descriptions by organizations portray projects as successes for as long as is possible. Organizations may at some point admit that everything did not go entirely as planned and unexpected obstacles were encountered, but in the end, they will try to present the project as having a positive outcome.

Organizations will attempt to structure their internal processes to withstand external scrutiny. Manufacturers of high-end automobiles will build “transparent factories” in which interested buyers can view all phases of car production. Political parties will allow information about internal conflicts to leak out in order to demonstrate to the public that their members are able to reconcile opposing views. By suggesting that observers are getting a behind-the-scenes view, organizations attempt to build trust. Despite such efforts to create transparency, though, certain details of inner processes must be hidden from public view. To ensure they remain secret, organizations create a second stage behind the stage outsiders are permitted to see.

### *Hiding the Fact That the Façade Is a Façade*

Situations may arise when it becomes clear to everyone that an organization is sprucing itself up. When the government runs a full-page ad in the daily paper to praise its labor market, health, or defense policies, readers understand that, with the help of their tax dollars, the government is trying to gain support for these policies in the population. In most situations, though, it is useful if an organization’s façade is not immediately recognizable for what it is.

One important reason for this is that the embellishment function of façades is often most effective if the observer does not recognize the façade to begin with. One need only think of the occasional barbed

remarks journalists make upon hearing something that is evidently intended to bolster an organization's image. They might point out, for example, that the president of a baseball club is reading his opinion from a sheet of paper, apparently because his club could not agree on an official statement. Or they might ironically note that the chairman of a political party "appears to be relaxed" as a way of suggesting his agitation is quite visible.

The masking function of façades also requires that the practice of concealment itself be hidden (see Luhmann 1964, 115). Consulting firms are known to produce extensive staff manuals containing rules on the color of employees' socks, the quality of their suits, and the height of their heels. If, in addition, they stipulate that, for longer assignments in a client's office, their consultants may not leave the premises before the client, even if they have no more work to do, it can make sense to keep the manual secret from clients. It is not usually part of a successful show to destroy illusions so quickly.

But why do organizations create façades in the first place? Why not have "open houses" every single day of the week?

### **The Benefits of Hypocrisy**

Because façades represent the image that organizations project to the world, we must examine the expectations they confront in order to understand how the façades work.

#### ***Cushioning the Impact of Contradictory Demands***

One initial reason to create a façade is the contradictory demands organizations must meet in practice. A conservative political party must address its traditional voter base in rural areas while at the same time maintaining its appeal for tech-savvy urban dwellers. It must create the impression that it deserves the label "conservative" without requiring its voters to live like Jesuit monks.

Of course, organizations that are caught in such a double bind could simply decide in favor of one side. Many managers would be ecstatic if the contradictory demands facing their organizations would simply dissolve into thin air. It would make things easier if, with the help of organizational consultants, they could align their company, church, or university with a single goal such as selling mobile phones profitably, gaining salvation for the faithful, or achieving full satisfaction among their students. Taking this approach, an organization could indeed fulfill purity and consistency demands; however, it would also lose support in many areas of society. The logic is simple: if an organization makes a fundamental decision favoring one group, other groups will be dissatisfied, which poses a significant risk.

As a result, organizations tweak their façades to fulfill various demands, at least superficially. For every relevant issue, they develop a position that is attractive for their environment and incorporate this position into their image without mentioning the potential contradictions with other positions. They may, for example, introduce spokespersons for every segment of their environment. In turn, these spokespersons develop their own linguistic conventions for government contacts, the mass media, or financial markets. Or organizations may try to learn which interest group in their environment requires special attention at a given time. They temporarily give priority to meeting its demands, but later shift emphasis to other interest groups.

The more contradictory the expectations faced by an organization, the higher the demands on its façade. When companies are confronted with increasing demands from major shareholders, the government, labor unions, environmental initiatives, and their own customers, they need to present themselves as profitable, sustainable, employee-oriented, environmentally conscious, and socially committed—all at the same time.

### *Façades Reduce Internal Conflict*

A second motive for creating a façade is the necessity of hiding internal conflicts. There are debates in all organizations over the best way to do things. There is criticism of strategies developed by top-tier management



and an awareness of the unintended side effects of executive decisions. In most cases, these conflicts have nothing to do with the members' personal motives or competitiveness. Rather, different, often conflicting perspectives emerge because members are exposed to different segments of the environment and hold different positions within the organization.

Of course, an organization may also send the message to the outside world that "we have no secrets." If a global corporation that has been formed by the merger of two large automobile makers is torn by heated internal debate over the economic sense of the merger, it may decide to stop hiding the conflict from the public. However, when conflicts such as this become known, the organization suffers a loss of legitimacy in its environment. Some of the nicer responses may be "They can't reach an agreement," "They're at each other's throats," or "They don't know what they're doing."

In addition, comments from the outside world can exacerbate conflicts within the organization. The environment acts as an amplifier. With every criticism, the tone inside the organization becomes less civil and the organization increasingly loses its ability to manage conflict on its own. Often such escalations call to mind celebrity marriages, with the media eagerly exploiting every quarrel and adding fuel to the fire.

Through their façades, organizations ensure that conflicts, doubts, and uncertainties remain hidden from view. The abovementioned merger of two automobile companies might be portrayed as a major coup, while internally the company looks for someone to blame for the disaster. When shareholders express dissatisfaction over the destruction of capital (in the case of DaimlerChrysler, the value of the combined company sank below that of Daimler before the merger), managers will skillfully counter these complaints by referring to the irrationality of capital markets in order to divert attention from the internal strife.

### *Double Talk and Hypocrisy*

Evidently, organizations must keep their eye on two factors. First, they must structure their internal processes as efficiently as possible,

regardless of whether the goal is predictable administrative decisions, the production of fast cars, or innovative research results. Second, they must satisfy the requirements of political, legal, economic, and scholarly legitimacy in their environment. To quote the organizational sociologists John Meyer and Brian Rowan (1977), organizations face the necessity of “technical” and “institutional” rationality.

The problem is that the requirements for streamlined administrative decisions, automobile production, and research findings are frequently incompatible with the demands from the organization’s institutional environment. An efficient internal structure often clashes with external demands for environmentally friendly production methods, the rationalization requirements of shareholders, or the desire for a production system that reflects the latest management style.

This is the reason why, in addition to the actual work they do, organizations must project a polished image to the outside world, regardless of whether they are members of a government coalition or the opposition, multinational development agencies or globalization-critical NGOs, major automobile manufacturers or labor unions. This practice could be described as “necessary window dressing,” “inevitable sprucing up,” or “image tricks.” Or, following the lead of the organizational researcher Nils Brunsson (1989), one might speak more directly of the necessity for “double talk” and “hypocrisy” in every organization.

### **Commonalities and Differences between the Façade and Formal Side**

At first glance, an organization’s façade, its idealized self-image, resembles its formal structure—the organizational order that is often described using the metaphor of a machine and that aims to establish clear responsibilities and predicable processes. Public administrations attach great importance to showing that they only implement political decisions, that these decisions comply with official procedures, and that all citizens are treated according to the same criteria.

Although it is certainly true that an organization's formal structure can be well suited to project an image to the outside world, it would be wrong to equate the formal structure with its image. In companies, public administrations, hospitals, or NGOs, the façade and the formal side often diverge. This has to do with the different demands placed on these two sides of an organization.

### *Reasons for Separating the Façade from the Formal Side*

As we have shown, organizations use their façades to make a favorable impression on a wide range of target groups, including customers, suppliers, partners, competitors, politicians, journalists, and job seekers. However, ideas about what constitutes a favorable impression differ significantly among these audiences. As a result, an organization cannot project an image that is *overly* specific. While every statement is sure to impress one group of people, it can frighten others away.

For this reason, it is detrimental for organizations to set excessively high *consistency* standards for their images. It is simply impossible to simultaneously fulfill all the legitimacy demands made by the environment. Organizations are often criticized for using abstract, figurative, or nebulous concepts, but these are not the result of bad intentions, insufficient intellectual capacity, or a lack of professionalism, but are caused by external demands.

The organization's formal side is subject to demands that are exactly the opposite. It is used to express the organizations' expectations of their members, which require *specification*. For example, the only way to effectively manage, coordinate, and monitor the work of sales representatives is by requiring them to sell a specific number of products as opposed to achieving a nebulous target such as customer satisfaction.

What's more, the formalized expectations of members must be highly *consistent*. Only a limited number of contradictions in formal programs or communication channels are permissible because conflicting expectations cannot be used to regulate members' activities. If there are too many contradictions, employees can always invoke the

rule that serves them best and cannot be held responsible for violations of the prevailing order (see Luhmann 1964, 155).

Individual elements of the formal structure can thus be used to create and further develop an organization's façade, but an effective façade must do more than present the formally prescribed hierarchy, official hiring or firing criteria, or the goals that structure members' activities. In the interplay with the environment, these formal structural elements must be supplemented by formulations of general values, idealized portrayals of communication channels, and embellishments of the members' realities.

***Goals, Hierarchies, and Membership:  
Where the Façade and the Formal Side Diverge***

It is certainly true that goals lend themselves well to projecting an image to the outside world. If a bank announces that its objective is a return on investment of 15 percent in the coming year, it creates legitimacy among investors. As a rule, though, an organization's goals, never mind the resources used to achieve them, are not fully disclosed to nonmembers. For example, information on the bank's incentive structure, which would enable outsiders to understand how the bank intends to achieve a 15 percent ROI, is probably kept under lock and key. After all, the bank's customers might become wary if they learned that their investment adviser had been instructed to sell them a financial product that was particularly lucrative for the bank, but did not fit their investment strategy. For this reason, organizations present only a limited, idealized, and harmonious selection of goals to their environments (see Luhmann 1964, 112). Instead of clearly prioritizing these goals (e.g. "It is crucial to bring unemployment down to 5 percent, and we'll only spend money on our armed forces once we've done that"), they compile a list of values that suggests that an array of positive goals can be achieved simultaneously. As the political scientist Robert Packenham (1973, 123ff.) has aptly observed, the presentation of goals through an organization's image implies that "all good things go together."

At first glance, an organization's formal *hierarchies* also seem to lend themselves well to projecting an image. Many companies, public administrations, and hospitals post their organizational charts (and thus the mandatory communication channels for members) as downloads on their websites. Most businesses, public administrations, and NGOs in the developing world realize that a slick PowerPoint slide of their organizational chart is important in relations with partners in industrialized countries because it creates the impression that decisions are made through established communication channels. However, organizations are often dissatisfied with the references to formal hierarchies in such external communication. For many organizations, impression management involves portraying their hierarchies as flat and permeable, regardless of the actual structure of their communication channels. Even organizations with up to nine hierarchical levels for five thousand employees (often with good reason) are known to praise their flat hierarchies. In mission statements, public administrations tout their short communication pathways, even if senior officers, citing internal rules of procedure, constantly keep an eye on whether they are bypassed in decision-making processes.

Similarly, emphasizing the traits of the organization's *members* can create a favorable impression on the outside world. Influential "certification industries" have emerged that provide proof of personnel qualifications and thus increase the amount of trust placed in the organization. Schools hire state-certified teachers, nursing homes point to their licensed caregivers, and financial firms highlight their certified financial auditors (see Meyer/Rowan 1977, 344). In addition to presenting official certifications, organizations may emphasize the brilliance of individual staff members. In fact, some companies introduce their newly recruited executives in a style reminiscent of soccer clubs announcing the acquisition of up-and-coming Brazilian soccer stars—replete with press releases, press conferences, and exclusive interviews for key media. However, there is a lot of information about an organization's member that, while relevant to the organization itself, is ill suited for the outside world. Authorized access to personnel records is strictly monitored. Wherever possible, problematic periods in a member's life

are concealed from the public, and illegitimate contacts that may have led to the hiring of an employee are also kept under wraps. In external communications, organizations tend to use somewhat flowery language instead of making precise statements about their members. They refer to their outstanding qualifications, integrity, and years of experience, without going into detail or providing proof.

### ***The Solution: Decoupling***

Because the façade and the formal side are subject to different demands, organizations have no other choice but to decouple their “formalized core processes” from the “surface structures” perceived externally. The “talk” of the organization is only loosely connected to its “decision” level (see Brunsson 1989, 32).

This decoupling process gives organizations the freedom they need to continue functioning despite the contradictory expectations they face. It enables them to maintain legitimate-seeming structures that are adapted to their institutional environments, while aligning their members’ everyday activities with concrete demands.

### **Commonalities and Differences between the Façade and the Informal Side**

For management, it would be ideal if informal processes and daily routines could be used to shape an organization’s image. After all, it would simplify a CEO’s job if she knew that visitors could roam through her organization unattended, gain a favorable impression of the employees’ motivation and professional attitudes, and note the smooth cooperation among them.

It is precisely this dream of a high degree of coherence between an organization’s image and its informal side that characterizes the naivete with which many managers, consultants, and researchers celebrate organizational culture. Their underlying assumption is that the

processes that develop outside an organization's official work structure are naturally suited for presenting the organization to the outside world. Organizational culture, or so the thinking goes, reflects the shared values, attitudes, and practices of the organization's members, which can be passed on unfiltered to the environment.

### *Why Informal Processes Are Poorly Suited for Images*

Admittedly, there may be some special cases where informal processes are well suited for projecting an image to the outside world. If the US president were to visit the locker room of a baseball team that had just won the World Series, he would probably be confused to see a lineup of smartly dressed, well-behaved young men instead of a group of fired-up, overexuberant players whose behavior was hardly affected by his presence. Such spontaneity may at times convey a positive image of an organization, but as a rule, informal processes rarely lend themselves well for the organization's façade.

When informal processes involve obvious deviations from an organization's formal rules and regulations, or even violations of the law, they are particularly ill suited for an external image. There are, for example, excellent reasons not to officially communicate many of the informal actions carried out by the airport maintenance crews who change light-bulbs, repair escalators, or service parking ticket machines. Despite official policies on the reduction of inventory costs, these crews are known to create unauthorized stockrooms for short-notice repairs or, over the course of several years, to appropriate ventilation rooms, storage space under escalators, or former vehicle maintenance areas in addition to the workshops rented from the airport administration. While this can be useful for the crews themselves (and for the facilities management company as a whole), it is poorly suited for presenting a positive image to airport management as the company's main client, to visitors from supply companies, or even to the company's senior executives.

In companies, public administrations, universities, or political parties, life in the public eye appears almost automatically to trigger inter-

nal censorship mechanisms. As soon as nonmembers show up, whether customers, partners, or competitors, employees begin to praise the organization's supposedly smooth internal cooperation. In remarks to nonmembers, they pay homage to the organizational values supposedly shared by all. As a result, people who participate in company tours, presentations, or workshops sometimes have the impression that they are attending religious events.

If an organization's informal processes are so ill suited for creating an external image, what other functions could informality fulfill in the management of its façade?

### *Supporting the Façade through Informal Expectations*

Even though informality may be poorly suited for an image, it plays an important role in bringing members behind a consistent image. Certainly, organizations may establish minimal standards for their members with respect to their image. With the help of the bright light, uncomfortable seating, and self-service in its restaurants, McDonald's, for example, pursues the goal of encouraging customers to leave as quickly as possible after making a purchase. At the same time, the company forces its employees to be friendly toward customers by requiring them to adhere to a catalog of conduct rules. Referring to the conditions of membership, it prescribes everything from friendly, engaged greetings and standard responses to complaints to a mandatory thanks at the conclusion of a purchase.

According to Niklas Luhmann, though, such formalized behavioral requirements remain focused on "external aspects of behavior"—in other words, on clothing, jewelry, and greetings. They do not reach the "more subtle sphere" where authentic behavior originates (Luhmann 1964, 121). Companies may prohibit employees from arguing with one another when customers are present, but it is nearly impossible to keep them from showing subtle signs of dislike. Similarly, in external contacts, organizations can convince members to embrace their goals, whether these involving converting nonbelievers, educating the



ignorant, or selling cars. But it is virtually impossible to get employees to project enthusiasm at the same time. According to Luhmann, organizations can stipulate that employees treat their superiors with respect and deference, but they cannot prevent them from doing so in a manner that conveys to their superiors—and anyone else who might be watching—the true nature of their attitude toward the organization's hierarchy (Luhmann 1964, 121).

Consequently, when creating and managing their image, organizations must also rely on informal pressure among colleagues. In terms of this image, each member of an organization “is kept in line by colleagues.” Members who deviate from the rules will not find supporters, because by engaging in open conflicts with colleagues, making disparaging remarks about the organization, or “divulging damaging information,” they undermine the laboriously constructed image that colleagues project to outsiders (see Luhmann 1964, 122)

According to Luhmann, when image problems become more delicate and subtle, the formalized expectations of behavior linked to an organization's image, which are formulated as conditions of membership, must be supported by informal expectations among colleagues. On the basis of formal directives, an airline may be able to project a modern image to the outside world, and a hospital may be able to convince the public that it meets the highest hygienic standards, but this strategy will fail when more subtle problems arise. In order to make a bank seem trustworthy, an authority fair, or a brokerage resourceful, a “high degree of tactful work” on the overall image is required. While this can be outlined in advance through formal expectations, these expectations alone “will not be capable of creating it” (Luhmann 1964, 122).

### *The Solution: Projecting Informality*

Nonetheless, we must not overlook the fact that organizations gain legitimacy from an image that does not seem artificial or contrived. The (supposedly) spontaneous friendliness that employees show toward

customers is generally more effective than the fake solicitude of call center workers, which is immediately recognizable as a product of their training. The magic word is “authenticity,” which promises to make employees (and, more recently, consultants as well) shine in all their dealings with the outside world.

This is the reason organizations create façades that supposedly allow a glimpse of organizational culture—i.e. the attitudes, informal practices, and shared values of employees. Outsiders are promised “a look inside the organization, including problematic areas” or “candid reporting, even on our failures.”

But it is precisely this type of façade for which intense internal preparations must be made. These preparations can take the form of long debates on which areas may be presented, which methods should be used, or—all candor notwithstanding—which areas are best concealed from view. Steps are taken to ensure that the “authentic descriptions of daily practice” convey a positive impression of the organization *despite* their authenticity, and that reports about failures always have a happy ending.

Of course, all the hard work that goes into creating this view of an organization’s culture must remain hidden from sight. After all, outsiders are supposed to believe they are receiving random glimpses of the real world of the organization. The paradox of managing an image is that authenticity, spontaneity, and naturalness often require the most intense preparations.

### **Courses of Action: Managing an Organization’s Triple Reality**

The greater the discrepancy between the reality that members of an organization are *meant to practice* (“official reality”) and the reality they *actually practice*, the louder the complaints directed at organizations from the outside world. Companies that embrace environmental protection in colorful brochures while continuing to operate pollution-spewing factories are accused of duplicity. Labor unions that push for job security and pay raises while pursuing austerity measures—often at the

cost of their own employees—are called out for their hypocrisy. The criticism is that there is a big difference between what is on the menu and what arrives at the table.

The thrust of such criticism is clear: management should kindly practice what it preaches. An organization's mission statements, future visions, value systems, and programs must be closely linked to formal decisions and specific practices in the organization. This mantra forms the basis of all criticism of political parties and companies and could serve as a basic principle for newspaper commentary. After all, the observation that “their actions don't match their words” applies to almost all organizations. In addition, it is an easy way to score points with an audience, because there appears to be a meta-consensus that there should never be a disparity between words and deeds—a view that itself is a “meta-hypocrisy” (see Brunsson 2003, 210ff.).

Facing such pressures, some top executives loudly embrace authenticity. As Alfred Herrhausen, former CEO of Deutsche Bank, said, “You need to say what you think and do what you say.” The general tenor is: “This is real business, not show business.” But the creed-like quality of such statements arouses suspicion, as it is all too obvious that they are being exploited to build trust. In such cases, they can only be understood as further embellishments of an organization's façade.

### *Responding to Cracks in the Façade: Affirming Values*

Organizations spruce up their images on a regular basis. They distribute annual reports describing their commitment to environmental protection. Or, at three-year intervals, they spend enormous sums of money to certify their efforts to achieve workplace equality between men and women, people with and without disabilities, and workers of all ethnic and national backgrounds. This ensures that they appear at the top of diversity management rankings in the media (see Luhmann 1996b, 64ff.).

Nevertheless, an organization's façade can easily develop cracks. If legitimacy crises occur, the organization must make a greater effort

to affirm the moral values that have been called into question. For example, when the media report that children in Catholic institutions have been subjected to regular physical abuse, the bishop who stands publicly accused of the crimes must affirm that he is fundamentally opposed to interpersonal violence and deeply convinced, as an individual and a Christian, that every human being should treat others the same way they wish to be treated themselves.

As external criticism mounts, these affirmations grow louder. The pattern could be depicted in a flow chart. The more decisively an organization affirms its commitment to environmental protection, human rights, gender equality, or profitability, the more difficult it becomes for the organization to live up to its aspirations. As a rule, the better its “manners,” the worse the violation it is attempting to conceal.

The organizational researcher Nils Brunsson (2003) refers to this mechanism as “reverse coupling.” Often, argues Brunsson, official reality and practiced reality are not only decoupled, but exist in an inverse relationship. As Brunsson sees it, the problems that organizations encounter when attempting to live up to values such as environmental protection, human rights, or efficiency almost automatically lead to a stronger affirmation of these values. The greater the national debt, the louder politicians will proclaim that it is unacceptable for us to incur debt that our children will be unable to repay. However, there is a problem with these affirmations of values: they are cheap (see Meyer 1979, 494). This means that organizations must take other measures to reestablish legitimacy.

***How Can Legitimacy Be Created  
by Modifying Formal Structures?***

Organizations that experience legitimacy crises are often dependent on modifying their structures. The high costs these modifications bring are then presented as evidence that the organizations are serious about the project. In economics, such costly structural modifications are referred to as “signaling”—sending a message to generate legitimacy (Spence

1974). There are different approaches organizations can take.

In most cases, organizations will only change their *goals* if they face strong pressure to create legitimacy. However, a radical transformation of goals tends to be the exception. If a chemical company causes an environmental catastrophe that kills several thousand people, it is unlikely to metamorphose into an environmental protection organization. As a general rule, existing goals are changed. The chemical company might increase the percentage of its revenues it invests in environmental protection.

One common approach is to vary the resources an organization devotes to achieving its goals. Organizational research has shown that the organizations facing legitimacy pressures are usually the ones to experiment with new programs. The introduction of Japanese production methods such as the rationalization technique of lean management, the quality improvement method of *kaizen*, or the logistical concept of *kanban* are encountered most frequently in companies facing economic pressures. They must signal to their shareholders that they are responding actively to the problems (Strang/Soule 1998, 274).

*Communication channels* are another area where an organization can attempt to enhance its legitimacy. After all, restructuring communication is another way of conveying a shift in priorities. One common response to legitimacy crises is to elevate individual units of an organization to a higher level within the hierarchy, thus signaling that problems will now be handled by the top managers. As can often be observed, companies rocked by major corruption scandals will order their compliance departments to report to higher hierarchical levels than was previously the case, which sends a signal to the outside world that they are willing to learn from their misconduct.

An additional common reaction to a fundamental crisis of legitimacy is *staff* change. Both negative and positive developments are often discussed in conjunction with individuals, particularly in the mass media, as this makes it possible to report on events in an engaging way. Because organizations (as opposed to royal families or rock bands) can replace their personnel, the publicly celebrated dismissal of employees is a viable way of reestablishing legitimacy and steering the organization

back into calmer waters. As far as this response goes, political parties, companies, and government institutions are essentially no different than football teams that, in times of crisis, replace coaches not because they expect a new coach will do a better job, but because replacing personnel in leadership positions is the only means available to restore the confidence of the fan base, players, and the media.

The tendency to make personnel changes during legitimacy crises is perfectly understandable. The replacement of a top executive generates broad media coverage and is therefore a better method of managing an organization's image than many other strategies employed—e.g. the repeated celebration of the family as the “nucleus of society” in the platform of a political party, the release of a new anti-corruption mission statement on a bank's website, or the drafting of guidelines for greater cooperation between a company's board of directors and employee representatives. Pledging improvement while engaging in a public character assassination of a former senior executive continues to be one of the most effective forms of organizational hypocrisy.

### *Conclusion*

Organizations must loosen the link between the reality that members are required to practice (“official reality”) and the reality they actually practice—in other words, the link between talk, decisions, and action. This decoupling provides organizations with the opportunity to stabilize their image, which is focused on creating legitimacy, while they respond to the current demands of everyday operations. Or, conversely, it enables them to redesign their image during legitimacy crises without having to change their entire internal structure.

However, the symbolic surface structure, the formal structure, and the deep operative structure cannot be completely decoupled. If a corporation such as Siemens appoints an anti-corruption officer to much fanfare in the media, its established bribery practices—which have some economic justification—cannot continue in the same manner.

This means that managing the triple reality of organizations entails not only managing the decoupling of official reality from actual reality in order to gain flexibility for the organization, but also determining the degree of decoupling organizations want and can afford to have. There can be periods when the organization's image has very little to do with its everyday reality—for example, when very diverse expectations are placed on the organization or when serious internal conflicts arise. However, during other phases such as severe legitimacy crises, the organization may find it necessary to align its image more closely with everyday operations, even if it brings a loss of flexibility.

Against this backdrop, it would be naive to view organizational image as the sole essence of things. At the same time, it would lead to a caricatured view of organizations if we assumed that the motive for every decision in the organization is the desire to polish its image (see Luhmann 1964, 116). It is important to focus not only on the image with all its functions for organizations, but also on the formal and informal side if we wish to understand the degree of decoupling that exists and gain a realistic impression of an organization.

### **3.4 Beyond the Iceberg Metaphor: The Possibilities and Limitations of Communication about Organizations**

In organizational research, the iceberg metaphor is used to suggest that many aspects of organizations are hidden from sight. Only the tip of the iceberg (the organization's formal side) is visible, and even then attention is focused solely on the surface area lit by the sun (the façade). A large portion of the iceberg—the attitudes and viewpoints of the organization's members, the shortcuts they take in their daily work, and their informal daily practices—lies hidden below the surface.

The fascination of the iceberg metaphor is understandable. Because ice and seawater have different densities, only about one-ninth of the

iceberg lies above the water, while the larger part is concealed from view. Because the part of the iceberg below the surface can have a massive volume that is almost impossible to detect even with technical equipment, there is an unpredictability to icebergs that makes them a serious threat.

### **Focusing on the Tip of the Iceberg: The Dream of an Optimal Organizational Structure**

The iceberg metaphor suggests that people tend to see only those structures in organizations that lie above the surface. Such structures are particularly easy to register because they have been defined in officially accessible regulations, organizational charts, or job descriptions, or because they have been explicitly designed for outside viewing, such as an organization's website, mission statement, or promotional material.

The suspicion often arises that a great deal lies beneath the surface. If technically feasible, attempts will be made to raise the entire "iceberg" out of the water in order to carry out systematic measurements, analyses, and improvements. What comes into view—arguments between profit centers over resources, conflicts between departments over responsibilities, or complaints of egotism in certain divisions—is then used to justify demands for new, trouble-free forms of collaboration. Or the conflicts over organizational goals may lead to calls for the organization to be split into two separate entities, each with its own clearly defined goals.

The often difficult daily work, which is frustrating for many employees and remains concealed from view, contrasts sharply with the positive image of a conflict-free, streamlined organization. In this context, the organizational models developed by consulting firms, companies, and sometimes even researchers—e.g. lean management, the fractal enterprise, or the learning organization—represent different hues in a color palette that every organization uses to create a specific image of an appealing future.



The attempt to contrast a complex reality (the iceberg beneath the surface) with an attractive future vision (making the entire iceberg visible) clearly has its charm. Because master plans, visions, and targeted conditions are more attractive, persuasive, and easily understandable than a chaotic-seeming reality, they can be used to develop what is termed “energy for change.” With their underlying good intentions, they are difficult to refute because they have not yet been conclusively tested and have gained a special appeal (Luhmann 2018a, 278).

Once they are put into practice, though, they lose their attractiveness. The implemented master plan shows contradictions that resemble those in all the other organizational models developed to date. Flaws in the achieved targeted conditions become visible. Models such as lean management or business process reengineering, once put into action, exhibit blind spots.

When a master plan fails, the process managers in the organization, the participating consultants, and the supporting researchers will try to defend it. They will attribute the failure to achieve an ideal state to personnel errors, workforce resistance, the intransigence of middle management, or the incompetence of a specific consultant. Their standard argument is that the plan was good, but the workers were ill prepared to put it into practice. The assignment of problems to individual employees may keep a master plan temporarily alive, but in the long run, it does not change a basic managerial problem that is expressed by the adage: “The more human beings proceed by plan, the more effectively they are bedeviled by chance.” Organizations constantly adjust to changing conditions in their environment, but unfortunately, they seldom do so in the way top executives prefer (Luhmann 2018a, 283ff.). Experience repeatedly shows that an iceberg that has been arduously raised to the surface can quickly slip underwater again.

If bringing the entire iceberg into view is a futile endeavor—amounting to a formalization of all the organization’s structures—what other options do organizations have to cope with problems in organizational reality?

### Underneath the Surface: High-Quality Criteria for Organizational Analyses

Use of the iceberg metaphor signals that an observer does not necessarily believe the descriptions of organizations found on their websites or in their promotional literature or PowerPoint presentations. It expresses an awareness that additional organizational realities exist beyond process and procedure manuals and the colorful world of organizational models that are committed to customer satisfaction, integrity, and collegial staff relations.

Yet the problem with the iceberg metaphor is that it often encourages managers, consultants, and academics *not* to examine, in any great detail, the part that lies below the surface. Standing in front of a hastily drawn iceberg on a flipchart, fans of the iceberg metaphor will make abstract comments on the power processes, forms of communication, and trust-based relations that define organizations, but they will not precisely analyze how each of these elements works. In a general way, they will discuss the attitudes, rituals, and taboos important for organizations, but they will have difficulty identifying them in specific cases.

When risks are assessed for an infrastructure project in the Middle East, for example, blanket references will be made to “tribal Arab culture” as a possible impediment to investment. When an investment project in Romania fails, it will be put down to the “communist mentality.” However, no explanation will be given as to what specific effect “tribal Arab culture” or a “communist mentality” has on the underlife of the company, government agency, or ministry involved. Such terse references suggest that other factors are involved, but no one will bother to find out exactly how these factors work. To return to the iceberg metaphor: the parts below the surface remain extremely vague.

A key criterion for an accurate analysis of organizations is the precision with which structures below the surface can be described. With reference to our previous reflections on membership, goals, and hierarchies, let me pose a few relevant questions here: How do the various motives for joining an organization (money, force, identification with a goal, the appeal of an activity, collegial relations) interact beyond

the lip service paid by the organization's members? How do conflicts over goals affect the organization? In what way do goals shift over time (often unnoticed)? How are goals "invented" after the fact to justify actions? How do power processes play out beyond the formal hierarchy? And how do employees use external contacts, expertise, or the control of informal communication channels as trump cards to gain power?

The challenge is not only to understand the structures below the surface, but also to learn how they are linked to the visible ones. Which of the members' motives can be "satisfied" through formal decisions by management? How can they be incorporated into an organization's image and how do they mesh with the motives generated in the under-life of the organization? What goals are suitable for communication to the outside world, how can they be transformed into the formal expectations placed on members, and what secondary goals emerge that are difficult to communicate externally? How do the surveillance of employees and the sousveillance of managers affect one another in the interaction between hierarchical levels, and what role does representability to nonmembers play in the process?

By answering such questions (and here the iceberg metaphor is a coherent instrument), we can grasp the way companies, public administrations, hospitals, associations, and universities function. And by understanding how the façade, the formal side, and the informal side interact, we can gain insight into these individual aspects and an overall impression of the organization.

But what can these observations tell us? How can they be used both in and outside the organization?

### **Bringing Hidden Structures to the Surface: The Communicability of What Is Observed**

It is very tempting to call attention to the organizational structures lying below the surface. A newly hired employee, a committed consultant, or an attentive academic may enthusiastically exclaim, "I see something you don't see" and proudly point to all the things below the

tip of the iceberg (i.e. below the formal structure and the façade) that they can see with the help of organizational research.

However, an employee, consultant, or academic who rises to the challenge of openly identifying problems, tackling thorny issues, or addressing sensitive topics will quickly encounter the organization's immunizing tendencies. If an employee trained in organizational theory claims that a mining company's success depends mainly on its legitimacy in regional politics and not on its profitability, she should be prepared to have her boss send her to the company psychiatrist (Luhmann 1989, 223). If a professor discovers that numerous reforms have turned the university into a "bureaucratic monster" and complains that faculty must constantly break the often contradictory rules to keep this monster in check, she should not be surprised if her interpretation is indignantly rejected by the education minister in charge of the reforms.

In organizational research, the difficulty of addressing structures below the surface is referred to as "communication latency" (*Kommunikationslatenz*), which is best understood as a kind of communication taboo. Even if managers encourage their employees to "speak openly" and describe their "real motives," they often want the exact opposite—namely, a high degree of willingness from employees to carefully maintain taboos (Luhmann 1984, 459). The repeated violation of rules is a topic that an employee might bring up in a small group of colleagues, and information about the "real balance of power" outside the official company hierarchy might be confidentially shared with a consultant over lunch, but woe to the individual who records information of this sort in a file, brings it up during an internal meeting with top executives, or—worse still—mentions it publicly. Raised eyebrows, outraged remarks from all the other participants, or a sudden dressing down behind the scenes will quickly make clear what can be addressed and what is off-limits.

It is important to note that communication latency performs an important function in organizations. Just as newlyweds avoid certain topics to maintain the fiction of harmonious agreement, and members of cliques will not will discuss the weaknesses of other members to ensure cohesion, so too is there much in organizations that cannot be

openly addressed, despite all the demands in management literature for greater communication. The risk of conflicts escalating and the organization losing legitimacy is simply too high.

For employees, consultants, and researchers, the art of effective communication lies in knowing exactly where, when, and how members of organizations can break their vow of silence. Employees can use windows of opportunity to raise points critical of the organization. Consultants may take on the task of identifying taboos in the organization and then, at the risk of being dismissed, develop methods that allow organizations to put these observations to use. Academics, whose main target group is not the organizations they are studying, but rather their fellow researchers, can give thought to how much of their research they can release at any given time. Even if it will never be possible to make every structure in the iceberg visible, specific, skillfully introduced insights into submerged bodies can prevent a collision between the iceberg and a passing ship.

## 4.

# **The Organizational Society, the Organized Society, or the Society of Organizations— Why Organizations Are Not Everything**

The “organizational society” (Presthus 1962), the “organized society” (Gross 1973), or the “society of organizations” (Drucker 1942)—many social analyses depict organizations as a prominent feature of modern society. Given the proliferation of organizations in all countries of the world, whether in the form of companies, public administrations, hospitals, universities, schools, government departments, or political parties, many scholars have sought to explain modern society from the perspective of organizations.

What is an organizational society, an organized society, or a society of organizations? What are the limits to describing society as heavily influenced by organizations?

### **4.1 Emphasizing the Importance of Organizations by Proclaiming the Existence of an Organizational Society**

At first glance, the contemporary analysts who proclaim the existence of an organizational society, an organized society, or a society of organizations appear to have put their fingers on an important issue. Whether it is automobiles, soccer leagues, or diseases such as AIDS, when it comes to all that has become part of human life over the last few centuries, organizations appear to have played a central role. Without the assembly line production of large automobile manufac-

turers, cars could not have been manufactured so inexpensively or become a means of mass transportation. Anyone can kick a soccer ball back and forth with their friends, but if they want to compare themselves to other players, they need an organization. AIDS is not transmitted by organizations, but its rapid global spread was facilitated by the contacts and mobility organizations have made possible. And we probably would have a poor understanding of the disease if not for the health departments and research institutes that have dealt with it.

The concepts of the organizational society, the organized society, and the society of organizations appear to combine three ideas: 1) we can explain the transition from premodern to modern society mainly by the emergence of organizations; 2) all fields of modern society are shaped by organizations; and 3) social relations are dominated by organizations.

### A Historical Break Caused by Organizations

With respect to the *time dimension*, the social analyses that stress the importance of organizations describe an important turning point in human history. They connect the rise of modern society in the seventeenth and eighteenth centuries to the emergence of companies, public administrations, armies, and universities. The formation of functional, hierarchical divisions of labor, the legitimation of this hierarchy through the creation of “enacted rules” (Weber 1978, 215ff.), the alignment of work with rules that exist independently of individuals and are applied without distinction of person, the separation of the workplace from the family and production from property—all of these phenomena, which are directly related to organizations, are interpreted as central features of modern society.

Ultimately, the attempt is made to describe all of society in relation to an important transition in modern times. The central feature of this transition was the liberation of people from affiliations with rulers, guilds, and monasteries, which were often established at birth

and valid until death. Through the abolition of mandatory membership, human beings were finally able to decide for themselves what organizations they wanted to belong to, despite existing restrictions. In turn, organizations gained the freedom to make membership dependent on specific conditions because their members were no longer bound to them for life, as in guilds or monasteries. As the above social analyses suggest, this “double freedom”—that of members to choose an organization and organizations to choose members—was not only a necessary condition for the emergence of organizations, but also the foundation for the emergence of a completely new form of society based on them.

### Encompassing All Areas of Modern Society

With respect to the *factual dimension*, the concepts of the organizational society, the organized society, and the society of organizations express the idea that every aspect of modern life is governed by organizations. Just as we can no longer imagine economic life without organizations (or education, for example, without schools or colleges), so too is it impossible for us to conceive of research not coordinated or funded by universities or nonuniversity institutes. Politics without political parties boggles the mind, and when it comes to implementing policy itself, the existence of government departments, public administrations, armies, police forces, and prisons seems so natural to us that we are bewildered by political theories such as anarchism that suggest we could do without them. The sick go to organizations like hospitals for medical treatment, and even the smallest doctor’s office is treated like an organization by the medical associations and health insurance companies that interact with it.

There are only a few areas of modern society where organizations do not immediately catch the eye. The works by writers, sculptors, and composers are usually produced in the solitude of their offices, studios, or practice rooms, so it would seem that the arts are largely organization-free. At second glance, though, we see that these works



are disseminated through museums, galleries, publishing houses, theaters, and opera houses. Sports are often associated with the loneliness of the long-distance runner, a spontaneous game of basketball on an outside court, or outdoor gymnastics, but when competitions are held, sports clubs, umbrella associations, and organizing committees come into play. Religion can take the form of a spontaneous gathering, as expressed by the idea that “where two or three are gathered in his name, Jesus is in the midst of them all,” but the large monotheistic religions of Judaism, Islam, and Christianity seem unable to get by without organizations.

### Encompassing All Human Beings

The assumption made by the above social analyses is that human relations are significantly shaped by organizations. The pooling of resources they facilitate has given people entirely new ways of coping with life. According to the analyses, without organizations, the moon landing would never have been possible and we would be unable to call China or Australia on our cell phones or eat South American bananas in Europe or Asia. Independent organizations were necessary to allow people to achieve previously unimaginable goals (Coleman 1974).

At the same time, though, human relations are increasingly being threatened by the logic of organizations. According to this view, people have been forced into a “cage of bondage” by them (Schluchter 1985, 9). The adaptational expectations that organizations impose on their members have grown so powerful that their members are behaving like fanatical, rule-following “bureaucratic virtuosos” (Merton 1968, 206)—not only in companies, public administrations, universities, or associations, but also in their roles as friends, spouses, or even church members. As the social researcher George Ritzer has observed, the dominance of organizations is leading to a “McDonaldization” of society. Like the US hamburger chain, which uses “a limited menu, few options, and uncomfortable seats” to get its customers to do exactly what it wants, organizations, which are geared toward efficiency, calcu-

lability, predictability, and control, are heavily shaping human behavior in the modern world (Ritzer 2015, 15).

According to this pessimistic analysis of society, the members and customers of the formal organizations that are spreading across the world—due to their contact with these organizations—are coming to resemble the organizational “apparatus” ever more closely (Adorno 1990). The emerging “organization man” (Whyte 1956) is not so much the product of force, pressure, or control exerted by organizations, but of the increased internalization of diverse organizational expectations, conveyed through models of human resource management, performance evaluations, and quality assurance programs. To quote a somewhat overused phrase from the philosopher and sociologist Jürgen Habermas, organizations are increasingly resulting in the “colonization of the lifeworld” of individuals (Habermas 1985, xli).

### Questioning the Concept of the Organizational Society

Precisely because of the reductive use of just one, two, or three terms in their names, the concepts of the organizational society, the organized society, and the society of organizations focus attention on organizations as a phenomenon. If these social analyses were in fact correct, we would need to study organizations not only in their own right, but also because modern societies could not be grasped without them. Organizational researchers in the fields of psychology, business administration, and sociology could then rightly view themselves as the most important social analysts, because they would be specialists in modern society’s core element—organizations. Organizational theory would be an integral part of civics, and introductory books on organizations would sell like hot cakes.

However, when there is talk of the organizational society, the organized society, or the society of organizations, it seems appropriate to ask a test question: what is *not* regulated by organizations in modern society? And what role do such organization-free zones play?

## 4.2 The Limits of the Concept of the Organizational Society

In the simply structured societies of the past, such as the Celts in Europe, the indigenous peoples of the Americas, or African Pygmies, all of the functions central to society, such as making binding decisions, supplying everyone with scarce goods, administering justice, or practicing religion, were concentrated in the hands of a small group of people. In the societies that had a predominantly hierarchical structure, such as ancient Egypt, the Roman Empire, and the Inca Empire, various forms of specialization emerged, but the economic, political, legal, and religious functions central to these societies continued to be performed mainly by a narrowly defined group from the upper classes.

In modern society, the various economic, religious, political, and legal functions are separated. Fields have emerged that function according to their own logic, including the economy, scholarship, politics, law, religion, and education. Social scientists refer to this process as the differentiation of functional systems—*functional* because each of these fields fulfils a central function for society. The function of the economy, for example, is to supply society with scarce goods, the function of politics is to ensure collective capacity to make decisions, even in the event of different interests and points of view, and the function of religion is to provide an explanation of things inexplicable to human beings.

The differentiation of social fields can be observed in our everyday lives. As a result of the differentiation of the economy into an independent functional system, all that counts nowadays is making money for money's sake. In contrast to premodern societies, money can no longer be used to buy salvation, political office, or academic prestige. For salvation, we must pray, for political office, we must run in an election, and for academic prestige, we must publish articles that gain the admiration of our peers. Money can only be used to meet consumption needs—or to make even more money. As a result of the differentiation of scholarship, what counts is no longer solutions to practical economic problems, but the publication of articles in specialist journals. Scholars are mainly interested in the opinion of their

colleagues and not in the political or economic utility of their research or even in the bedazzling effect of an extensive publication list. In contrast to the Middle Ages and early modern period, as a result of the differentiation of love into an independent subarea of society, people nowadays mainly seek “romantic love” and are no longer interested in the extent to which a potential partner can fulfil economic, legal, or political functions (Giddens 1992).

The intrinsic logic of social subsystems is so powerful that people are unconsciously guided by them. As a rule, students know that good grades are awarded for fulfilling examination requirements and not for regularly depositing money in a lecturer’s account or hopping into bed with a professor. At educational institutions such as universities, the focus is on learning; in business, on the ability to pay. Even if money can be used to buy access to universities or private lessons with retired professors—or, conversely, a good education can be leveraged to get a good job in the business world—everyone knows the difference between money and education. A popular argument among US students is that they deserve good grades for paying annual tuition fees in excess of 20,000 dollars, but this can rightly be dismissed as an unacceptable demand by professors, just as an employer can rightly dismiss an applicant’s argument that their high grade point average automatically justifies a high salary.

So what role do organizations play in these functional systems? And where are the organization-free zones located?

### **Organizations Are Not Everything: The Limits to What Can Be Organized**

A quick glance at central fields of society such as politics, business, law, education, and scholarship confirms that organizations do indeed play an important role in society; on the other hand, not everything in these fields is influenced by organizations (Luhmann 1972, 245).

Companies certainly perform a vital function in the economy by producing goods and providing services. Because members of an orga-

nization submit to its requirements in a general, yet limited way, companies do not contract out every task or service on the open market. According to the economist Ronald Coase (1937), this means they do not need to evaluate every operation in monetary terms and make time-consuming comparisons of offers from different contractors. Here economists speak of the “transaction costs” that can be saved thanks to the “submission” of members, who are paid by a flat fee (Williamson 1981). However, despite all the transaction cost advantages that coordination *within* organizations brings, coordination *among* companies takes place via the exchange processes in markets and not through the organizations themselves. Ultimately, it is not a central organization that decides whether a deal is done, but the free play of supply and demand in markets.

Organizations such as universities and research institutes play an important role in research, not least because they pay the salaries of researchers. However, the independence of research from the funding organizations is striking. Scholars may be allocated travel funds, research assistants, or printer cartridges by their universities or research institutes, but ultimately it is other organizations that determine their reputations, “especially those [organizations] that have a say over the acceptance or rejection of manuscripts submitted for publication” (Luhmann 1992, 680). In the final analysis, what is crucial for these scholars’ reputations is not how they are viewed by colleagues at their own universities or research institutes, but how they are regarded in the research community, which is international in scope and cannot be controlled by any single organization.

Political parties play an important role in politics. A certain jadedness about party politics certainly exists. It has become popular to use the term “civil society” to express a distance not only from business organizations, but also from parties. However, calls for the elimination of political organizations are rarely heard (Luhmann 2002, 233f.). The dissatisfaction with parties is partly counteracted by the fact that voters make the final decision about who holds office, not an overarching organization or “Big Brother.” The mechanism that determines which party will be in power for the next four to five

years has nothing to do with organizations, even if they compete for voters (Luhmann 2002, 253).

The fact that most law school graduates are employed by organizations such as courts, public prosecutor's offices, law firms, government departments, or companies shows that organizations play a key role in law. However, the laws themselves, which are by far the most important program administered by the legal system, have an impact regardless of whether they are directly linked to an organization. While there are a number of legal codes that regulate interactions inside organizations (e.g. labor law, administrative law, and the law on associations), the majority of laws do not regulate life inside organizations, but the contact between natural and legal persons.

We could easily apply these reflections to additional functional systems, such as education, health care, social welfare, religion, sports, and the arts. A notable feature of all fields of society is that, as a rule, contact between organizations in any one field does not take place via organizations. To be sure, society does have meta-organizations that consist of other organizations and whose task is to regulate the relations between these members. Prominent examples include the OECD, FIFA, the International Air Transport Association, the International Bee Research Association, and the International Federation of Eugenic Organizations. However, the majority of contacts between organizations are not managed by such meta-organizations, but by elections, pricing on free markets, the awarding of scholarly reputation, or legally regulated collaboration (for an extensive discussion, see Ahrne/Brunsson 2008).

### **Attempts to Organize the Unorganized**

There have been numerous attempts to “organize the unorganized” in society. The more extreme cases include fascism under Benito Mussolini in Italy, Nazism under Adolf Hitler in Germany, state socialism under Joseph Stalin in the Soviet Union, and Juche communism under Kim Il Sung in North Korea. All were sweeping attempts to use organiza-

tions to structure “all that is not organized”—e.g. the choice of parties in an election, agreements normally reached via the free market, and processes in academic publishing. In these “societies of organizations” (Pollack 1990, 294ff.), different political organizations, newspapers, and companies certainly existed, but they were coordinated via a single hierarchical order called the “Führer state” or the “dictatorship of the proletariat.” Ultimately, the dominant idea (and fantasy) was that society as a whole could be transformed into a kind of “mega-meta-organization.”

Despite all these attempts to organize society, though, mechanisms not governed organizations emerged in the shadows of the organized order. For example, neither the socialist nor the fascist state was able to completely integrate religious organizations as subunits of their megalithic socialist or fascist organization (Pollack 1994). In addition, the planned economy of socialist states was only able to function because of the extensive barter economy between state-owned enterprises that took place beyond the official planning goals (Berliner 1957). Sympathizers with the large-scale socialist projects in countries such as Cuba and Venezuela must have been pained to see that extremely brutal market processes emerged in the shadows of these anti-capitalist states (Henken 2002).

### **Societies Are Not Organizable**

Skepticism is in order with respect to the social analyses that emphasize the significance of organizations. It appears unrealistic to believe that a “society of organizations” will ever be realized. Because of complexities that are ultimately unmanageable, attempts to organize all of the central economic, political, legal, scholarly, artistic, and athletic fields of society through a kind of mega-meta-organization are doomed to failure. As Niklas Luhmann argues (1969, 399f.), modern society does not appear to be completely organizable.

Even individual fields of modern society cannot be structured by a single organization, as the concept of the organized society shows.

After all, organizations are based on the principle of excluding many and including a few, while the fields of business, law, politics, and education generally need to be accessible to all (Luhmann 2002, 231f.). As a result, in the different fields in which modern organizations are active, there is always a large number of organizations.

The concept of a society of organizations is also of limited validity. Certainly, at the local, national, and international levels, the number of organizations has increased disproportionately to other yardsticks such as population growth or economic growth (Boli/Thomas 1997, 171ff.; Boli/Thomas 1999, 13ff.). However, the concept of a society of organizations describes only one differentiated form of modern society.

How, then, should we describe the role of organizations in modern society?

### 4.3 Putting the Significance of Organizations into Perspective

A look at the arts section of the daily newspaper or the catalogs of nonfiction publishers reveals that the number of social analyses with just one or two words in their titles is on the rise. The old favorites are still around, including civil society, service society, class society, organizational society, and capitalist society. In order to attract more attention, though, authors have begun using novel word creations such as world society, fun society, experience-driven society, singles society, knowledge society, or network society. And because we need to choose one of these different societies, we are given works on the multiple-option society, decision society, consulting society, coaching society, or (because decisions bring dangers) risk society.

Nowadays every researcher worth his salt (analysts of contemporary society are almost exclusively men) seems to have come up with his own “model” of society with just two or three words in the title, in keeping with the slogan: “Every man should plant a tree, build a house, father a child, and develop a concept of society.” Given the rapid increase in



such analyses, irony-prone researchers have pointed to the rise of an “analysis society” in which everyone develops their own social analysis (see Osrecki 2010). People are desperately wondering what kind of society we live in today.

The concepts of the society of organizations, the organized society, and the organizational society can be brought into play as rivals to various other models, including the capitalist society, the network society, or the experience-driven society. Or, when modern society is defined, they can be used to promote certain hybrid terms, such as the capitalistically and functionally differentiated society of organizations, or the global risk society of organizations.

Despite the limitations of such reductive terminology, the emphasis on the phenomenon of organization can provide impetus (especially for organizational sociology) to more precisely define the relationship of organizations to society. There is certainly a great deal to discover in this context. It is noteworthy, for example, that the emergence of organizations in modern society required the development of a monetary economy, as payments are often the only thing that make membership in organizations attractive. A functioning legal system is also important because organizations and their members are dependent on enforcing employment contracts in court, if necessary (Luhmann 1997, 828).

Despite all the doubts about the concepts of the society of organizations, the organized society, and the organizational society, one thing remains clear: we can only understand modern society with its global communication network, increasing integration, worsening pressures on decision-making, and expanded risks if we attempt to understand how organizations function in all their complexity. Even if they are just one element that helps us understand modern society, they are definitely one of the most important.

## **Appendix: A Somewhat Longer Justification for a Short Introduction**

What constitutes a very brief introduction? Is it a book that can be read in a single sitting? Is it a publication with fewer than one hundred pages? Or perhaps a book that costs so little that it is not even worth photocopying? Is it a compact summary of current research in which the author largely refrains from discussing his own positions and insights? Or is it a work that focuses exclusively on one or two main ideas?

This book is directed at various target groups: members of companies, public administrations, universities, hospitals, political parties, nongovernmental organizations, and the military who have daily contact with organizations; consultants who attempt to initiate change processes in organizations; university students from disciplines such as business administration, psychology, sociology, anthropology, and labor studies who want a quick and easily understandable overview of the topic; and researchers who focus on organizations from a scholarly perspective. My goal is to provide all of them with a brief synopsis of the possibilities of organizational research.

Admittedly, for any author, a short introduction brings painful decisions about what to leave out. In the following, I would like to take a moment to candidly discuss the book's omissions, the decisions I made on what perspectives to include, and the distinctions with which readers will be able to work after laying the book aside.

### **Omissions**

Everyday perspectives on organizations are characterized by the overdramatization of new organizational phenomena. The dismantling of hierarchies, the emergence of entreployees, and the interconnected-

ness of organizations—all of these topics have been discussed as new developments without the participants recognizing that fundamental change in the way organizations function emerges over decades, or even centuries, rather than over just a few years. In view of this fact, the decision not to present the latest (or not so latest) organizational trends was not difficult, whether these trends involved the knowledge-based organization, process management, or new public management. Once a person has acquired a basic understanding of the way organizations work, innovative ideas—which often only *sound* innovative—can be grasped very quickly.

It was much more painful to accept that a short introduction such as this can only hint at the historically interesting emergence of organizations over the last five centuries. We can understand a great deal about organizations if we examine how they formed after individuals increasingly gained the freedom to make independent decisions about membership. In this introduction, readers interested in historical developments will have to content themselves with a few thoughts and references that can serve as a starting point for further historically oriented studies.

Nor have I described systematic distinctions between different types of organizations. Readers may be surprised to see a pharmaceutical company, a political party in a democratic country, and a wartime army cited as examples in the same paragraph. This automatically focuses attention on the commonalities between different types of organizations (at the cost of their differences). However, I hope that the distinctions I have discussed here—between goals, hierarchies, and membership, between programs, communication channels, and personnel, and between an organization's façade, formal side, and informal side—will make it easier for readers to embark on their own study of organizational differences, whether it is between a church and a company, a concentration camp and a school, or a university and a political party.

Furthermore, I have not systematically examined the differences between organizations in different cultures. The omission of systematic distinctions between organizations in the United States, Germany,

France, and Great Britain is not really tragic. The emphasis on cultural differences, particularly among organizations in the West, frequently serves only to conceal conflicts of a more fundamental nature. What is regrettable, though, is that I could hardly examine the differences between organizations in the Western world and those in Latin America, Africa, and Asia. At first glance, it is immediately clear that organizations are a worldwide phenomenon. In almost every country in the world, there is an education ministry, a military, and companies—these structural similarities are striking. Upon closer examination, though, it is worth noting how differently these organizations function. Certainly, by focusing on decision-making autonomy with respect to membership, hierarchy, and goals, this book can unlock the particular features of organizations outside the Western world, but it cannot thoroughly explain these special organizational forms.

However, the omission with the greatest significance is that I could not systematically portray the different theoretical approaches to organizations. There are a number of very successful attempts to introduce readers to organizational research by comparing different theoretical perspectives. Such comparative introductions offer the advantage of making clear not only the complexity of the subject, but also the complexity of theoretical viewpoints. Ideally, after putting down such a work, readers will have a variety of perspectives from which they can illuminate organizations themselves. Frequently, though, introductions that present several perspectives can cause confusion. Which theory, one wonders, is the right one? Not only for reasons of brevity, then, but also for the sake of comprehension, I have presented the phenomenon of organizations from a single perspective. Only in a few passages do I suggest that organizational theories bring different perspectives into play.

Academic disciplines such as business management, psychology, sociology, administrative studies, labor studies, and anthropology take different approaches to organizations. While it is true that many draw on the same classic works and the same theoretical concepts, their perspectives often diverge. This may seem surprising, because the phenomenon that they describe—organizations—remains the same. The

goal of this book—and here I am by no means modest, despite all my omissions—is to provide a suitable introduction for readers from different disciplines.

### Decisions

The only way to achieve the goal of offering a *single* coherent view of organizations is not to give equal treatment to each of the individual theoretical and disciplinary approaches. Niklas Luhmann's systems theory is the approach from which I draw my views. Even though organizational researchers (to a greater extent than organizational practitioners) have a knee-jerk tendency to reject systems theory out of hand, it is nevertheless the theoretical approach that describes the specific characteristics of organizations in the most precise terms. Here "systems theory" means that I view organizations as social entities, or social systems, that by virtue of their special characteristics are able to hold their own in a world of almost unlimited complexity. In addition, due to these special features, they differ from other social systems such as spontaneous face-to-face interactions, groups, families, networks, communes, classes, protest movements, and even entire societies. My decision to view organizations as social systems is the foundation of all my other reflections—the purpose of organizations in modern society, the definition of their central characteristics such as goals, hierarchies, and membership, and the distinction between the three sides of organizations.

This single view of organizations is then expanded to include interesting theoretical insights and empirical examples from a variety of theoretical schools. The instrumental-rational theories of Max Weber, Frederick Taylor, and Oliver Williamson are of special relevance because through their façades, organizations frequently create the impression that they take instrumental-rational approaches to company management. Neo-institutionalism plays an important role because it is a theory that allows us to precisely understand the function of an organization's façade. Finally, insights from micro-politics and rational choice theory are presented here because these approaches allow us to explain

(in examinations of hierarchy, for example) why employees sometimes exert greater influence on decisions than their supervisors.

Naturally, when I say that this book presents just a single view of organizations, I imply that other views are also possible. Depending on their disciplinary or theoretical background, scholars may arrive at different definitions of organizations. If we were to consider them here, though, we would then have to argue over whose definition is the most appropriate or applicable. Ultimately, from an academic perspective, there can be only one “correct” view of organizations. This means that the different disciplines and theories compete with one another over which portrayal best captures organizational complexity, despite the necessary simplifications. I leave that assessment to the reader.

### Distinctions

Despite all its omissions and (preliminary) decisions, this book has a more comprehensive goal, which may seem surprising for a short introduction. By systematically introducing various distinctions, it aims to provide readers with the analytical tools necessary to arrive at their own understanding of a wide range of organizations—not only companies, public administrations, and churches, but also universities, schools, political parties, and citizens’ initiatives.

Some of these tools concern fundamental issues. How do clearly formulated conditions of membership ensure that members comply with the organization’s established goals and hierarchies? What aspect of an organization—the façade, the formal side, or the informal side—becomes visible in certain situations? How do these different sides interact?

Other tools are more suitable for answering individual questions relevant to companies, public administrations, churches, or universities. How do the three formal features of organizations—communication channels, programs, and personnel—facilitate or restrict one another? Which of these formal features is immobilized? What informal expectations support or counteract the formal structure?

Still other tools are well suited for micro-analyzing organizations. What is the main factor motivating the members of a department? Is it money, identification with a goal, force, the attractiveness of activities, or collegial relations? How do the means of motivating employees change? How can work be regulated by goal or conditional programs, and what type of program is the most appropriate in a given situation?

The systematic use of a series of distinctions will enable interested readers to take this book as a starting point for further studies of their own. Because the classic works on organizations—e.g. the books by Herbert Simon, Michel Crozier, and James Coleman—are not easily accessible for laypeople, this introduction is intended to serve as a supporting text for these often difficult treatises. If readers have more in-depth or even theoretical interests, they can use this book's structure—the definition of organizations, the explanations of membership, goals, and hierarchies, and the distinctions between the formal side, the informal side, and the façade—as a foundation for reconstructing and comparing the ways different theories (e.g. institutional economics, Marxism, micro-politics, or systems theory) approach the phenomena. However, this book can also be used to examine a variety of special questions about organizations, from topics considered important such as mergers to supposedly secondary ones such as company parties.

Despite its brevity, this book is intended as a research tool that can be consulted again and again, even on a chapter basis. The purpose for which it is used is in fact irrelevant: whether it is to uncover a surprising fact in a company, expose blind spots in a political party, citizens' initiative, or association, provide inspiration for a brief academic paper, or offer a modest additional approach for interventions in a client's firm. It will be a success if readers begin working with its distinctions, discover surprising aspects, and hopefully realize at some point that they must read more to use these distinctions more fruitfully in the future.

Ideally, books arouse interest in more detailed descriptions and more precise information about the emergence of a phenomenon or about competing ways of looking at it. If this brief introduction makes readers more curious, it will have fulfilled its purpose.

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