Modern organizations[1]

1. Basic Concepts

Once upon a time, we were all born in our own dwellings. Women virtually always gave birth in the place where they lived, and people attached a great deal of significance to the exact spot where they were born - in the local community or village, in this house or that house, in this room or that. Usually, birth took place in the main, or communal, room of the mother's home. As soon as the first contractions started, local women would gather to assist her. Women usually gave birth in front of the hearth, especially if the weather outside was cold. Straw was brought in and scattered on the floor, in more or less the same way as it was done in the cowshed when a calf was born

Women in childbirth had no other resources save for those the community could offer. For centuries, the idea of calling on help outside the community was alien to the ways of thinking of women of the villages. 'Women helping one another' and 'giving mutual assistance' are phrases that crop up constantly in the writings of priests and administrators who reported on childbirth in the eighteenth and early nineteenth centuries. The key figure was the midwife, a woman experienced in assisting at births. A midwife was originally known as the 'good mother': she was someone who could cope with the pains and problems of younger women at key times in their pregnancy and at the birth itself. A document written in France in the 1820s indicates the qualities the midwife was expected to have. She needed to be 'strong, sturdy, nimble, graceful, with no bodily defects, with long supple hands'. The spiritual side was no less important: she should be 'virtuous, discreet, prudent, of good conduct and regular habits' (Gelis 1991).

Until about the 1950s, most people in Britain were born in their own homes, and the midwife continued to play an important role. Today, however, the practice of giving birth in a hospital is most common, and this change has brought other important transformations in its wake. Few of us any longer feel an emotional connection with our place of birth. Why should we? That place is now a large, impersonal hospital. After having existed for many centuries, midwives have now either disappeared completely or simply play a role in helping out jn earlier phases of pregnancy. The birth process itself is controlled and monitored by the professionals within the hospital - doctors, nurses and other medical staff.

2. Organisations and Modern Life

A modern hospital is a good example of an organization. An organization is a large grouping of people, structured on impersonal lines and set up to achieve specific objectives; in the case of the hospital, these objectives are curing illness and providing other forms of medical attention.

In current times, organizations play a much more important part in our everyday lives than was ever true previously. Besides delivering us into this world, they also mark our progress through it and see us out of it when we die. Even before we are born, our mothers, and probably our fathers too, are involved in classes, pregnancy check-ups and so forth, carried out within hospitals and other medical organizations. Every child born today is registered by government organizations, which collect information on us from birth to death. Most people today die in a hospital - not at home, as was once the case - and each death must be formally registered with the government too.

Every time you use the phone, turn on the tap or TV, or get into a car, you are in contact with, and to some extent dependent on, organizations. And usually this will mean many organizations, all interacting in a regular way with each other as well as with you. The water company, for example, makes it possible to take for granted that water will pour out when you turn on the tap. But the water company is also dependent on other organizations, such as those that construct and service reservoirs, which are themselves dependent on others . . . and so on almost indefinitely. You turn on the tap in your own home, but the water probably comes from miles away. The water company - or, more normally, a whole group of water companies - must supply not only you but thousands or millions of others simultaneously. You can multiply what the water company does dozens of times; for counting on a regular supply of water is only one way in which we are dependent on organizations.

It should be remembered that for most of human history, before the level of organizational development became as great as it is now, people couldn't count on aspects of life to which we now give barely a second thought. For example, a century ago in Britain few houses were equipped with a regular supply of piped water, and much of the water people used was polluted and responsible for numerous illnesses and epidemics. Even today, in large areas of the less developed societies (for example, Asia or Africa), there is no piped water; people gather water

1 From: Giddens, A. (1998). *Sociology*. 3d edition, Polity Press, Chapter 11, *Modern Organizations*, pp. 283-304

each- day from a spring or well, and much of it contains bacteria that spread disease. In modern societies, drinking water is carefully checked for contamination; this involves yet more organizations, the health standards authorities.

But the tremendous influence organizations have come to exert over our lives cannot be seen as wholly beneficial. Organizations often have the effect of taking things out of our own hands and putting them under the control of officials or experts over whom we have little influence. For instance, we are all required to do certain things the government tells us - pay taxes, abide by laws, go off to fight wars - or face punishment. As sources of social power, organizations can thus subject the individual to dictates he or she may be powerless to resist.

In this chapter, we look at the rise of modern organizations and the consequences this development has for our lives today. We shall first analyse the ideas of two writers who have had an especially strong impact on how sociologists think of organizations: Max Weber and Michel Foucault. We shall then look at some of the ways in which organizations work - whether they are business corporations or hospitals, schools or government offices, colleges or prisons - and we will study what differences exist between these various types. We shall give particular attention to large business organizations, which are coming to operate more and more on a world level. In the concluding sections, we shall consider how far business corporations and other organizations in modern societies are becoming subject to major processes of change.

3. Theories of Organization

Max Weber developed the first systematic interpretation of the rise of modern organizations. Organizations, he argued, are ways of coordinating the activities of human beings, or the goods they produce, in a stable way across space and time. Weber emphasized that the development of organizations depends on the control of information, and he stressed the central importance of writing in this process: an organization needs written rules for its functioning, and files in which its 'memory' is stored. Weber saw organizations as strongly hierarchical, with power tending to be concentrated at the top. In this chapter, we shall examine whether Weber was right. If he was, it matters a great deal to us all. For Weber detected a clash as well as a connection between modern, organizations and- democracy that he believed had far-reaching consequences for social life.

3.1. Weber's view of bureaucracy

All large-scale organizations, according to Weber, tend to be .bureaucratic in nature. The word 'bureaucracy' was coined by a Monsieur de Gournay in1745, who added to the word 'bureau', meaning both an office and a writing table, a term derived from the Greek verb 'to rule'. Bureaucracy is thus the rule of officials. Bureaucracy as a term was first applied only to government officials, but it gradually became extended to refer to large organizations in general.
The concept was from the beginning used in a disparaging way. De Gournay spoke of the developing power of officials as 'an illness called bureau mania'. The French novelist Honoré de Balzac saw bureaucracy as 'the giant power wielded by pygmies'. This sort of view has persisted into current times: bureaucracy is frequently associated with red tape, inefficiency and wastefulness. Other writers, however, have seen bureaucracy in a different light - as a model of carefulness, precision and effective administration. Bureaucracy, they argue, is in fact the most efficient form of organization human beings have devised, because all tasks are regulated by strict rules of procedure. Weber's account of bureaucracy steers a way between these two extremes.

A limited number of bureaucratic organizations, Weber pointed out, existed in the traditional civilizations. For example, a bureaucratic officialdom in imperial China was responsible for the overall affairs of government. But it is only in modern times that bureaucracies have developed fully.

According to Weber, the expansion of bureaucracy is, inevitable in modern societies; bureaucratic authority is the only way of coping with the administrative requirements of large-scale social systems. However, Weber also believed bureaucracy to exhibit a number of major failings, as we will see, which have important implications for the nature of modern social life.
In order to study the origins and nature of the expansion of bureaucratic organizations, Weber constructed an ideal type of bureaucracy. ('Ideal' here refers not to what is most desirable but to a pure form of bureaucratic organization). An ideal type is an abstract description constructed by accentuating certain features of real cases so as to pinpoint their most essential characteristics.) Weber listed several characteristics of the ideal type of bureaucracy (1978):

• There is a clear-cut hierarchy of authority Thus tasks in the organization are distributed as 'official duties'. A bureaucracy looks like a pyramid, with the positions of highest authority at the

top. There is a chain of command stretching from top to bottom, making coordinated decision-making possible. Each higher office controls and supervises the one below it in the hierarchy.

- Written rules govern the conduct of officials at all levels of the organization This does not mean that bureaucratic duties are just a matter of routine. The higher the office, the more the rules tend to encompass a wide variety of cases and demand flexibility in their interpretation.
- Officials are full-time and salaried. Each job in the hierarchy has a definite and fixed salary attached to it. Individuals are expected to make a career within the organization. Promotion is possible on the basis of capability, seniority, or a mixture of the two.
- There is a separation between the tasks of an official within the organization and the official's life outside. The home life of the official is distinct from activities in the workplace, and is also physically separated from it.
- No members of the organization own the material resources with which they operate. The development of bureaucracy, according to Weber, separates workers from the control of their means of production. In traditional communities, farmers and craft workers usually had control over their processes of production and owned the tools they used. In bureaucracies, officials do not own the offices they work in, the desks they sit at or the office machinery they use.

Weber believed that the more an organization approaches the ideal type of bureaucracy, the more effective it will be in pursuing the objectives for which it was established. He often likened bureaucracies to sophisticated machines.

3.2. Formal and informal relations within bureaucracies

Weber's analysis of bureaucracy gave prime place to formal' relations within organizations, the relations between people as stated in the rules of the organization (see examples in figure 11.1). Weber had little to say about the informal connections and small-group relations that may exist in all organizations. But in bureaucracies, informal ways of doing things often allow for a flexibility that couldn't otherwise be achieved.

In a classical study, Peter Blau studied informal relations in a government agency which had the task of investigating possible income-tax violations (Blau 1963). Agents who came across problems they were unsure how to deal with were supposed to discuss them with their immediate supervisor; the rules of procedure stated that they should not consult colleagues working at the same level as themselves. Most officials were wary of approaching their supervisors, however, because they felt this might suggest a lack of competence on their part and reduce their promotion chances. Hence, they usually consulted each other, violating the official rules. This not only helped to provide concrete advice; it also reduced the anxieties involved in working alone. A cohesive set of loyalties at a primary level of social group developed among those working at the same level. The problems these workers faced, Blau concludes, were probably coped with much more effectively as a result. The group was able to evolve informal procedures allowing for more initiative and responsibility than was provided for by the formal rules of the organization.

Informal networks tend to develop at all levels of organizations. At the very top, personal ties and connections may be more important than the formal situations in which decisions are supposed to be made. For example, meetings of boards of directors and shareholders supposedly determine the policies of business corporations. In practice, a few members of the board often really run the corporation, making their decisions informally and expecting the board to approve them.

Informal networks of this sort can also stretch across different corporations. Business leaders from different firms frequently consult one another in an informal way, and may belong to the same clubs and leisure-time associations.

Deciding how far informal procedures generally help or hinder the effectiveness of organizations is not a simple matter. Systems that resemble Weber's ideal type tend to give rise to a forest of unofficial ways of doing things. This is partly because the flexibility that is lacking can be achieved by unofficial tinkering with formal rules. For those in dull jobs, informal procedures often also help to create a more satisfying work environment. Informal connections between officials in higher positions may be effective in ways that aid the organization as a whole. On the other hand, these officials may be more concerned to advance or protect their own interests than to further those of the overall organization.

Figure 11.1 Formal relations within organizations
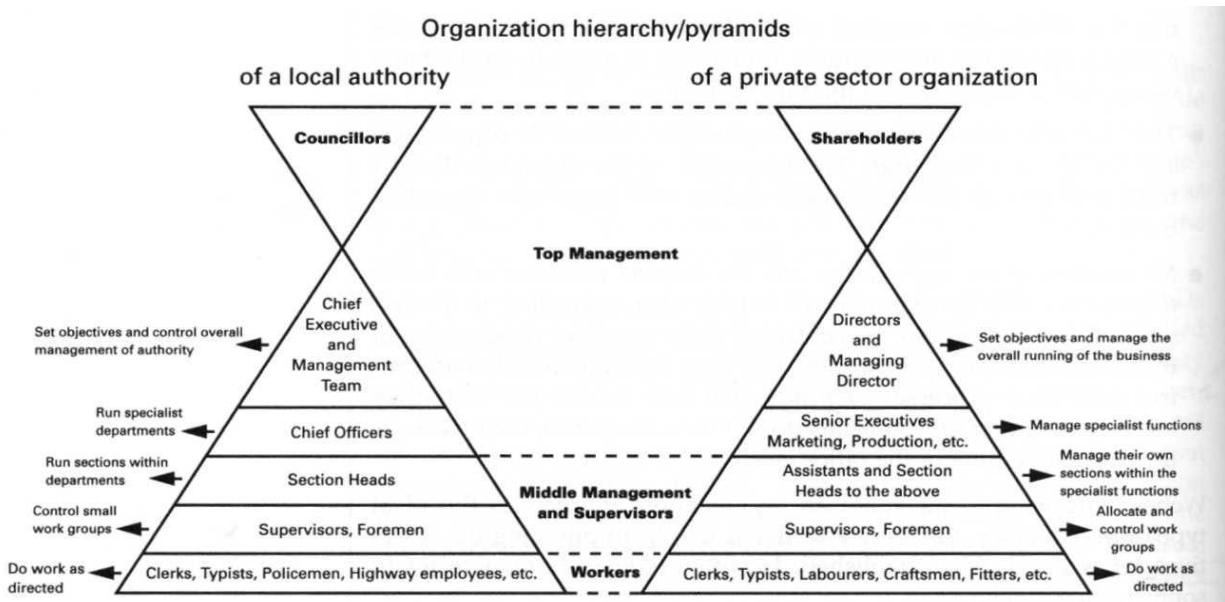
3.3. The physical setting of organizations

Most modern organizations function in specially designed physical settings. A building that houses a particular organization possesses specific features relevant to the organization's activities, but it also shares important architectural characteristics with buildings of other organizations. The architecture of a hospital, for instance, differs, in some respects from that of a business firm or a school. The hospital's separate wards, consulting rooms, operating rooms and offices give the overall building a definite layout, while a school may consist of classrooms, laboratories and a sports hall. Yet there is a general resemblance: both are likely to contain hallways with doors leading off, and to use standard decoration and furnishings throughout. Apart from the differing dress of the people moving through the corridors, the buildings in which modern organizations are usually housed have a definite sameness to them. And they often look similar from the outside as well as within their interiors. It would not be unusual to ask, on driving past a building, 'Is that a school?' and receive the response 'No, it's a hospital'. Although major internal modifications will be required, it can happen that a school takes over buildings that once housed a hospital.

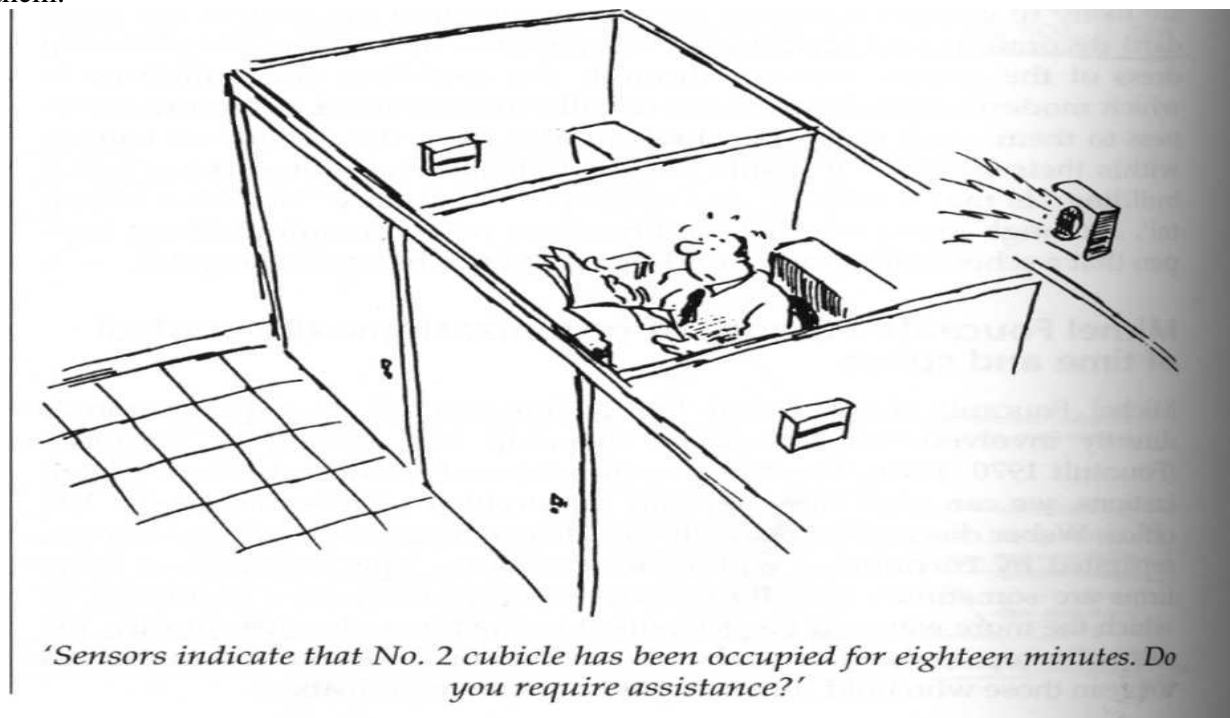## 3.4. Michel Foucault's theory of organizations: the control of time and space

Michel Foucault showed that the architecture of an organization is directly involved with its social make-up and system of authority (Foucault 1970, 1979). By studying the physical characteristics of organizations, we can shed new light on the problems Weber analysed. The offices Weber discussed abstractly are also architectural settings - rooms, separated by corridors - within organizations. The buildings of large firms are sometimes actually constructed .physically as a hierarchy, in which the more elevated one's position in the hierarchy of authority, the nearer the top one's office is; the phrase 'the top floor' is sometimes used to mean those who hold ultimate power in the organization.

In many other ways, the geography of an organization will affect its functioning, especially in cases where systems rely heavily on informal relationships. Physical proximity makes forming primary groups easier, while physical distance can polarize groups, resulting in a 'them' and 'us' attitude between departments.

3.4.1. Surveillance in organizations

The arrangement of rooms, hallways and open spaces in an organization's buildings can provide basic clues to how its system of authority operates. In some organizations, groups of people work collectively in open settings. Because of the dull, repetitive nature of certain kinds of industrial work, like assembly-line production, regular supervision is needed to ensure that workers sustain the pace of labour. The same is often true of routine work carried out by typists, who sit together in the typing pool, where their activities are visible to their superiors. Foucault laid great emphasis on how visibility or lack of it, in the architectural settings of modern organizations influences and expresses patterns of authority. Their visibility determines how easily subordinates can be subject to what Foucault calls surveillance, the supervision of activities in organizations. In modern organizations, everyone, even in relatively high positions of authority, is subject to surveillance; but the more lowly a person is, the more her or his behaviour tends to be closely scrutinized.

Surveillance takes two forms. One is the direct supervision of the work of subordinates by superiors. Consider the example of a school classroom. Pupils sit at tables or desks, usually arranged in rows, all in view of the teacher. Children are supposed to look alert or otherwise be absorbed in their work. Of course, how far this actually happens in practice depends on the abilities of the teacher and the inclinations of the children to conform to what is expected of them.

'Sensors indicate that No. 2 cubicle has been occupied for eighteen minutes. Do you require assistance?'

The second type of surveillance is more subtle but equally important. It consists in keeping files, records and case histories about people's lives. Weber saw the importance of written records (nowadays often computerized) in modern organizations, but did not fully explore how they can be used to regulate behaviour. Employee records usually provide complete work histories, registering personal details and often giving character evaluations. Such records are used to monitor employees' behaviour and assess recommendations for promotion. In many business firms, individuals at each level in the organization prepare annual reports on the performance of those in the levels just below them. School and college records are also used to monitor the performance of individuals as they move through the organization.

Organizations cannot operate effectively if employees' work is haphazard. In business firms, as Weber pointed out, people are expected to work regular hours. Activities must be consistently coordinated in time and space, something promoted both by the physical settings and by the precise scheduling of detailed timetables. Timetables regularize activities across time and space - in Foucault's words, they 'efficiently distribute bodies' around the organization. Timetables are the condition of organizational discipline, because they slot the activities of large numbers of people together. If a university did not strictly observe a lecture timetable, for example, it would soon collapse into complete chaos. A timetable makes possible the intensive use of time and space: each can be packed with many people and many activities.

3.4.2. Under surveillance! The prison

Foucault paid a great deal of attention to organizations, like prisons, in which individuals are physically separated for long periods from the outside world. In such organizations, people are incarcerated - kept hidden away - from the external social environment. A prison illustrates in clear detail the nature of surveillance because it seeks to maximize control over inmates' behaviour. Foucault asks, 'Is it surprising those prisons resemble factories, schools, barracks, hospitals which all resemble prisons?' (1979).

According to Foucault, the modern prison has its origins in the Panopticon, an organization planned by the philosopher and social thinker Jeremy Bentham in the nineteenth century. 'Panopticon' was the name Bentham gave to an ideal prison he designed, which he tried on various occasions to sell to the British government. The design was never fully implemented, but some of its main principles were incorporated in prisons built in the nineteenth century in Britain, Europe and the US. The Panopticon was circular in shape, with the cells built around the outside edge. In the centre was an inspection tower. Two windows were placed in every cell, one facing the inspection tower and the other facing outside. The aim of the design was to make prisoners visible to guards at all times. The windows in the tower itself were equipped with Venetian blinds, so that while the prison staff could keep the prisoners under constant observation, they themselves could be invisible.

3.5. Bureaucracy and democracy

Foucault was right about prisons. Even today, most prisons look remarkably like the Panopticon. He was also right about the central role of surveillance in modern societies, an issue that has become even more important now because of the growing impact of information and communications technologies. We live in what some have called the surveillance society (Lyon 1994) - a society in which information about our lives is gathered by all types of organizations.

As mentioned earlier, government organizations hold enormous amounts of information about us, from records of our dates of birth, schools and jobs to data on income used for tax collecting and information used to issue driving licences and allocate national insurance numbers. With the development of computers and other forms of electronic data processing equipment, surveillance threatens to move into every corner of our lives. Imagine you heard of a country, with a population of 26 million, where the government operated 2,220 databases, containing an average of 20 files on each citizen. Ten per cent of the population have their names in the central police computer. You might think this is a country labouring under a dictatorship. In fact, it is Canada (Lyon 1994).

The diminishing of democracy with the advance of modern forms of organization and information control was something that worried Weber a great deal. What especially disturbed him was the prospect of rule by faceless bureaucrats. How can democracy survive in the face of the increasing power bureaucratic organizations are wielding over us? After all, Weber reasoned, bureaucracies are necessarily specialized and hierarchical. Those near the bottom of the organization inevitably find themselves reduced to carrying out mundane tasks and have no power over what they do; power passes to those at the top. Weber's student Roberto Michels (1967) invented a phrase that has since become famous to refer to this loss of power: in large-scale organizations, and more generally a society dominated by organizations, he argued, there is an iron law of oligarchy. Oligarchy means rule by the few. According to Michels, the flow of power towards the top is simply an inevitable part of an increasingly bureaucratized world - hence the term "irons law".

3.5.1. The limits of surveillance

Weber and Foucault argued that the most effective way to run an organization is to maximize surveillance - to have clear and consistent divisions of authority. But this view is a mistake, at least if we apply it to business firms, which don't (as prisons do) exert total control over people's lives in closed settings. Prisons are not actually a good model for organizations as a whole. Direct supervision may work tolerably well when the people involved, as in prisons, are basically hostile to those in authority over them and do not want to be where they are. But in organizations where managers desire others to cooperate with them in reaching common goals, the situation is different. Too much direct supervision alienates employees, who feel they are denied any opportunities for involvement in the work they do (Grint 1991; Sabel 1982).

This is one main reason why organizations founded on the sorts of principles formulated by Weber and Foucault, such as large factories involving assembly-line production and rigid authority hierarchies, eventually ran into great difficulties. Workers weren't inclined to devote themselves to their work in such settings; continuous supervision was in fact required to get them to work reasonably hard at all, but it promoted resentment and antagonism.

People are also prone to resist high levels of surveillance in the second sense mentioned by Foucault, the collection of written information about them. That was in effect one of the main reasons why the Soviet-style communist societies broke down. In these societies, people were spied on in a regular way either by the secret police or by others in the pay of the secret police - even relatives and neighbours. The government also kept detailed information on its citizenry in order to clamp down on possible opposition to their rule. The result was a form of society that was politically authoritarian and, towards the end, economically inefficient. The whole society did indeed come almost to resemble a gigantic prison, with all the discontents, conflicts and modes of opposition prisons generate - a system from which, in the end, the population broke free.

4. Beyond Bureaucracy?

For quite a long while in the development of Western societies, Weber's model, closely mirrored by that of Foucault, held good. In government, hospital administration, universities and business organizations, bureaucracy seemed to be dominant. Even though, as Peter Blau showed, informal social selections always develop in bureaucratic settings and are in fact effective, it seemed as though the future might be just what Weber had anticipated: constantly increasing bureaucratization.

Bureaucracies still exist aplenty in the West, but Weber's idea that a clear hierarchy of authority, with power and knowledge concentrated at the top, is the only way to run a large organization is starting to look archaic. Numerous organizations are overhauling themselves to become less, rather than more, hierarchical. In so doing, many business corporations in the West are following the so-called 'Japanese model'.

4.1. The Japanese model

The economic success of Japan is frequently said to be due mainly to the distinctive characteristics of the large Japanese corporations - which differ substantially from most business firms in the West. Japanese companies diverge from the characteristics that Weber associated with bureaucracy in several ways:

• *Bottom-up decision-making* - The big Japanese corporations do not form a pyramid of authority as Weber portrayed it, with each level being responsible only to the one above. Rather, workers low down in the organization are consulted about policies being considered by management, and even the top executives regularly meet with them.

• *Less* specialization - In Japanese organizations, employees specialize much less than their counterparts in the West. Take the case of Sugao, as described by William Ouchi (1982). Sugao is a university graduate who has just joined the Mitsubeni Bank in Tokyo. He will enter the firm in a management training position, spending his first year learning generally how the various departments of the bank operate. He will then work in a local branch for a while as a teller, and will subsequently be brought back to the bank's headquarters to learn commercial banking. Then he will move out to yet another branch dealing with loans. From there he is likely to return to headquarters to work in the personnel department. Ten years will have elapsed by this time, and Sugao will have reached the position of section chief. But the process of job rotation does not stop there. He will move on to a further branch of the bank, perhaps dealing this time with the financing of small businesses, and then return to yet a different job at headquarters.

By the time Sugao reaches the peak of his career, some thirty years after having begun as a trainee, he will have mastered all the important tasks. In contrast, a typical American bank management trainee of the same age will almost certainly specialize in one area of banking early on, and stay in that speciality for the remainder of her or his working life.

• *Job security* - The large corporations in Japan are committed to the lifetime employment of those they hire; the employee is guaranteed a job. Pay and responsibility are geared to seniority - how many years a worker has been with the firm - rather than to a competitive struggle for promotion.

• *Group oriented production* - At all levels of the corporation people are involved in small cooperative 'teams', or work groups. The groups, rather than individual members, are evaluated in terms of their performance. Unlike their Western counterparts, the 'organization charts' of Japanese companies - maps of the authority system - show only groups, not individual positions. This is important because it contradicts the supposed iron law of oligarchy.

• *Merging of work and private lives* - In Weber's depiction of bureaucracy, there is a clear division between the work of people within the organization and their activities outside. This is in fact true of most Western corporations, in which the relation between firm and employee is an economic one. Japanese corporations, by contrast, provide for many of their employees' needs, expecting in return a high level of loyalty to the firm. Japanese employees, from workers on the shop floor to top executives, often wear company uniforms. They may assemble to sing the 'company song' each morning, and they regularly take part in leisure activities organized by the corporation at weekends. (A few Western corporations, like IBM and Apple, now also have company songs.) Workers receive material benefits from the company over and above their salaries. The electrical firm Hitachi, for example, studied by Ronald Dore (1980), provided housing for all unmarried workers and nearly half of its married male employees. Company loans were available for the education of children and to help with the cost of weddings and funerals.

Studies of Japanese-run plants in Britain and the United States indicate that 'bottom-up' decision-making does work outside Japan. Workers seem to respond positively to the greater level of involvement these plants provide (White and Trevor 1983). It seems reasonable to conclude, therefore, that the Japanese model does carry some lessons relevant to the Weberian conception of bureaucracy. Organizations that closely resemble Weber\s ideal type are probably much less effective than they appear on paper, because they do not permit lower-level employees to develop a sense of autonomy over, and involvement in, their work tasks.

Drawing on the example of Japanese corporations, Ouchi (1979, 1982) has argued that there are clear limits to the effectiveness of bureaucratic hierarchy, as emphasized by Weber. Overtly bureaucratized organizations lead to 'internal failures' of functioning because of their rigid, inflexible and uninvolving nature. Forms of authority Ouchi calls clans - groups having

close personal connections with one another - are more efficient than bureaucratic types of organization. The work groups in Japanese firms are one example, but clan-type systems also often develop informally within Western organizations.

5. The Influence of the Large Corporation

Some Japanese corporations have been highly successful in global markets, including many firms, such as Toyota, Sony or Mitsubishi, which have become household names in the West. Let us now go on to look at the global corporations and large-scale business companies in more detail. They are usually referred to as transnational (or multinational) companies. The term 'transnational' is preferable, indicating that these companies operate across different national boundaries rather than simply within several or many nations. A transnational corporation is a company that has plants or offices in two or more countries.

The biggest transnationals are gigantic companies, the value of their sales outstripping the gross national product of many countries (see figure 11.2). Half of the hundred largest economic units in the world today are nations; the other half are transnational corporations! The scope of the operations of these companies is staggering.

Figure 11.2 Total sales of some of the largest multinational companies compared with the gross national product of selected countries, 1992
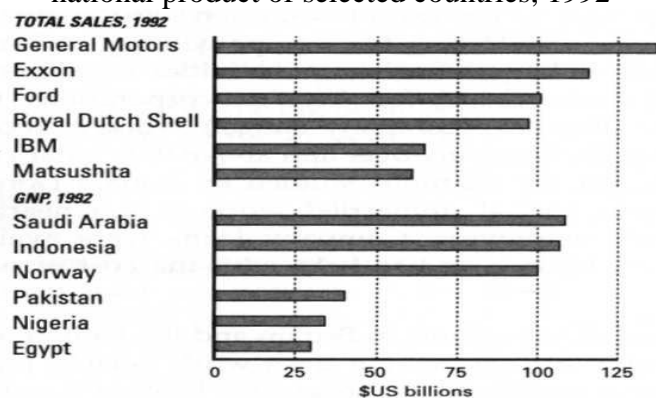
The 600 largest transnationals account for more than one-fifth of the total industrial and agricultural production in the global economy. About seventy of these giant companies are responsible for half of total global sales (Dicken 1992). The revenues of the largest 200 companies rose tenfold between the mid-1970s and the 1990s. Over the past twenty years, the transnationals' activities have become increasingly global: only three of the world's 315 largest companies in 1950 had manufacturing subsidiaries in more than twenty countries; some fifty do so today. These are still, of course, a small minority; most of the transnationals have subsidiaries in between two and five countries.

Eighty of the top 200 transnational corporations in the world are based in the United States, contributing just over half the total sales. The share of American companies has, however, fallen significantly since 1960, a period in which Japanese companies have grown dramatically: only five Japanese corporations were in the top 200 in 1960, as compared to twenty-eight in 1991. (For a fuller international picture see figure 11.3.).

Figure 11.3 Assets of the top hundred multinationals by their home country, 1992
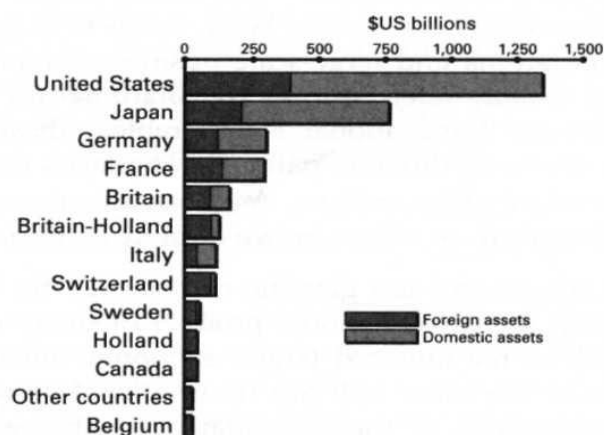
Contrary to common belief, most of the investment by transnational companies is within the industrialized world: three-quarters of all foreign direct investment is between the industrialized countries. Nevertheless, the involvements of transnationals in Third World countries are very extensive, with Brazil, Mexico and India showing the highest levels of foreign investment. Since

1970 the most rapid rate of increase in corporate investment by far has been in the Asian newly industrializing countries of Singapore, Hong Kong, South Korea and Malaysia.

5.1. The reach of the transnationals

The reach of the transnationals over the past thirty years would not have been possible without advances in transport and communications. Jet travel now allows people to move around the world at a speed that would have seemed inconceivable even half a century ago. The development of extremely large ocean-going vessels (super freighters), together with containers that can be shifted directly from one type of transport to another, makes possible the. easy transport of bulk materials.

Telecommunications technologies now permit more or less instantaneous communication from one part of the world to another. Satellites have been used for commercial telecommunications since 1965, when the first satellite could carry 240 telephone conversations at once. Current satellites can carry 12,000 simultaneous conversations! The larger transnationals now have their own satellite-based communications systems. The Mitsubishi Corporation, for instance, has a massive network, across which five million words are transmitted to and from its headquarters in Tokyo each day.

5.2. Types of transnational corporation

The transnationals have assumed an increasingly important place in the world economy over the course of this century. They are of key importance in the international division of labour - the worldwide distribution of jobs. Just as national economies have become increasingly concentrated - dominated by a limited number of very large companies - so has the world economy. In the case of the United States and several of the other leading industrialized countries, the firms that dominate nationally also have a very wide-ranging international presence. Many sectors of world production (such as agribusiness) are oligopolies - production is controlled by three or four corporations, which dominate the market. Over the past two or three decades, international oligopolies have developed in motor-car production, microprocessors, the electronics industry and some other goods marketed worldwide.

H. V. Perlmutter divides transnational corporations into three types. One consists of ethnocentric transnationals, in which company policy is set, and as far as possible put into practice, from a headquarters in the country of origin. Companies and plants which the parent corporation owns around the world are cultural extensions of the originating company - its practices are standardized across the globe. A second category is that of polycentric transnationals, where overseas subsidiaries are managed by local firms in each country. The headquarters in the country or countries of origin of the main company establish broad guidelines within which local companies manage their own affairs. Finally, there are geocentric transnationals, which are international in their management structure. Managerial systems are integrated on a global basis, and higher managers are very mobile, moving from country to country as needs dictate (Perlmutter 1972).

Of all transnationals, the Japanese companies tend to be most strongly ethnocentric in Perlmutter's terms. Their worldwide operations are usually controlled tightly from the parent corporation, sometimes with the close involvement of the Japanese government. The Japanese Ministry of International Trade and Industry (MITI) plays a much more direct part in the overseeing of Japanese-based foreign enterprise than Western governments do. MITI has produced a series of development plans coordinating the overseas spread of Japanese firms over the past two decades. One distinctive Japanese type of transnational consists of the giant trading companies or *sogo shosha*. These are colossal conglomerates whose main concern is with the financing and support of trade. They provide financial, organizational and information cervices to other companies. About half of Japanese exports and imports are routed through the ten largest *sogo shosha*. Some, like Mitsubishi, also have large manufacturing interests of their own.

5.3. New trends: downsizing and decentring

In spite of their success, organizational change is accelerating among companies operating at the global level. There are big differences between the large corporation in the later 1990s and its counterpart earlier in the century. As Robert Reich has written, speaking of US corporations:

America's core corporation no longer plans and implements the production of a large volume of goods and services; it no longer invests in a vast array of factories, machinery, laboratories, inventories, and other tangible assets; it no longer employs armies of production workers and middle-level managers. . . . In fact, the core corporation is no longer even American. It is, increasingly, a facade, behind which teems an array of decentralized groups and subgroups continuously contracting with similarly diffuse working units all over the world. (Reich 1992)

The global company which has been most radically decentred in a short period of time is Asea Brown Boveri, one of the largest engineering firms in the world. Its annual revenues amount to more than 30 billion US dollars. It has been broken down into 1,200 different organizations, all quite loosely linked to one another. Its chairman, Percy Barvenik, says, 'We grow all the time, but we also shrink all the time.' The company has laid off many of its staff in the process. The number of staff at its headquarters in Zurich was reduced from 4,000 to less than 200 (Naisbitt 1995).

One observer has commented: 'In the year ahead all big companies will find it increasingly difficult to compete with - and in general will perform more poorly than - smaller, speedier, more innovative companies. The mindset that in a huge global economy the multinationals dominate world business could not have been more wrong. The bigger and more open the world economy becomes, the more small and middle-sized companies will dominate (ibid., p. 47).

5.4. Organizations as networks

Stanley Davis argues that business firms, and other organizations too, are increasingly coming to be networks, which involve bottom-up decision-making, rather than hierarchies. They are doing so in response to the pressures coming from globalization, with the intense new patterns of change which it stimulates. Where change becomes both more profound and ever more rapid, Weberian-style bureaucracies are too cumbersome and too entrenched in their established ways to be able readily to cope with it. As Davis puts it:

> Whether organizations shrink through down-sizing, grow through alliances, or remain the same size, they will nevertheless be reorganizing their inner space. When you divide a whole into parts, it is the space between the parts that unites them together. Space is intangible and intangibility is increasingly prominent both in the new economy and in its new organizations. The industrial image of structure, for example, is the grinder-like architecture of buildings. The image of structure in the new economy, however, will be more like the architecture of atoms, built on ⊢IJ energy and information, not steel. (Davis 1988)

Cutting down on time is the key to reorganizing activities across space. In a global marketplace, firms are under pressure from customers to deliver as quickly as possible, and the customer is as likely as not to be on the other side of the world. The system of production called 'just in time', pioneered by Taiichi Ohno of Toyota, has been adopted by many business organizations outside Japan. It is called 'just in time' because supplies arrive at the factory only just before they need to be used. They therefore don't need to be stored in a production plant over a long period of time. Essentially, 'just in time' production means integrating all the elements of a production process - including the involvement of top management - to cut out superfluous operations where time is lost (J. Blackburn 1990).

European and American corporations have recently tried to adopt some of these practices. Michael Hammer and James Champy (1993) give an example from the IBM Credit Corporation, a subsidiary of IBM. Until recently, requests for credit were handled in a series of steps, each carried out as a separate specialist task. In other words, the company was a bureaucracy in Weber's sense. The process of deciding about credit applications took an average of seven days, although it sometimes needed up to two weeks. Some people who were seeking credit would go elsewhere during this time.

To see whether this situation could be simplified and speeded up, a group of management consultants took a financing request themselves through all the stages of the process of authorization. The people in each office were asked to process the request as they usually would, only to do it immediately rather than adding it to the pile of work on their desks. The consultants found that the actual work took altogether only ninety minutes. The rest - most of the seven days - was taken up by passing the request from one department to the next.

It was the whole process that needed to be changed to improve efficiency, not the individual steps. The specialists in each office were replaced by generalists who could deal with the credit process from beginning to end. The result was extraordinary. The seven-day turnaround was slashed to four hours - and fewer people were required than for the older, more cumbersome way.

6. The Reordering of Technology and Modern Organizations

Organizations in modern society are about the reordering of space and time. Today, information technology and electronic communication are making possible the transcending of space and the control of time in ways that were unknown in even the relatively recent past. The fact that complex information, stored in computers, can be flashed around the world is altering many aspects of our lives. The globalizing processes that are both produced by and the driving force behind these technologies are also serving to change the very shape of many organizations.

This is particularly true of business corporations, which have to compete with one another in a global marketplace.

Organizations have to be somewhere, don't they? That's certainly what Foucault thought. In an important sense, his view is valid. The business area of any large city, with its imposing array of buildings climbing up towards the sky, bears ample witness to this truth. These buildings, which house the executives and work staffs of large corporations, banks and finance houses, tend to be packed into a small area.

Yet at the same time, big organizations today are 'nowhere'. They consist of as many scattered individuals and groups as they do clusters of people working in the same physical space in office buildings. This is partly because of the ease with which people now can communicate with one another in an immediate way across the world, something the information highway will further develop. It is also because of the ever-increasing importance of information, rather than physical goods, in shaping our social existence.

Physical places and goods can't occupy the same space, but physical places and information, a series of electronic blips, can. Hence organizations themselves aren't so constrained to 'be' somewhere as used to be the case. Where, for instance, is the stock market? Is it located in the City of London, where the traders rush around the floor exchanging slips of paper? Not today. The stock market is not, as markets once were, a physical place for the buying of stocks and shares. One might say that it is everywhere and nowhere. The stock market consists of a large number of dealers, most of whom work from computer screens in different offices and settings, and who are in continuous contact across the whole world with their counterparts in New York, Paris, Tokyo and Frankfurt. The large corporation is less and less a big business than an 'enterprise web' - a central organization that links smaller firms together. IBM, for example, which used to be one of the most jealously self-sufficient "of all large corporations, in the 1980s and early 1990s joint with dozens, of US-based companies and more than eighty foreign-based firms to share strategic planning and cope with production problems.

Some corporations remain strongly bureaucratic and centred in a particular country. Most are no longer so clearly located anywhere. The old transnational corporation used to work mainly from its headquarters and its overseas production plants and subsidiaries were controlled from there. Now, with the transformation of space and time noted above, groups situated in any region of the world are able, via telecommunications and computer, to work with others. Nations still try to influence flows of information, resources and money across their borders. But modern communications technologies make this more and more difficult, if not impossible. Knowledge and finances can be transferred across the world as electronic blips moving at the speed of light.

7. Conclusion

Are networks, involving a large amount of bottom-up decision-making, the path to the future, taking us completely away from Weber's more pessimistic vision? Some have suggested so, but we should be cautious about such a view. Bureaucratic systems are more internally fluid than Weber believed and are increasingly being challenged by other, less hierarchical forms of organization. But they probably won't disappear altogether, as the dinosaurs did. In the near future, there is likely to be a continuing push and pull between tendencies towards large size, impersonality and hierarchy in organizations on the one hand and opposing influences on the other.

Summary

- Organizations play a central role in our lives in the present day. An organization can be defined as a large association of people, set up to achieve specific objectives. Examples of organizations include business corporations, government agencies, schools, universities, hospitals and prisons.
- All modern organizations are in some degree bureaucratic in nature. Bureaucracy involves a clear-cut hierarchy of authority; written rules governing the conduct of officials (who work full-time for a salary); and a separation between the tasks of the official within the organization and life outside it. Members of the organization do not own the material resources with which they work. Max Weber argued that modern bureaucracy is a highly effective means of organizing large numbers of people, ensuring that decisions are taken according to common criteria.
- Informal networks tend to develop at all levels both within and between organizations. The study of these informal ties is as important as the more formal characteristics concentrated on by Weber.
- The work of Weber and Michels identifies a tension between bureaucracy and democracy. On the one hand, long-term processes of centralization of decision-making are associated with the development of modern societies. On the other hand, one of the main features of the past two

centuries has been growing pressure towards democracy. The trends conflict, with neither one in a position of dominance.

- The physical settings of organizations strongly influence their social features. The architecture of modern organizations is closely connected to surveillance as a means of securing obedience to those in authority. Surveillance refers to the supervision of people's activities, as well as to the keeping of files and records about them.

- Japanese corporations differ significantly from most Western companies in terms of their characteristics as organizations. There is more consultation of lower-level workers by managerial executives; pay and responsibility are linked to seniority; and groups, rather than individuals, are evaluated for their performance. Although it is by no means proved that these help explain why Japan's economic performance has outstripped that of most Western countries, some Western firms have adopted aspects of Japanese management systems in recent years.

- Large business corporations dominate in modern capitalist economies. When one corporation has a commanding position in an industry, it is a monopoly. More common is the oligopoly, in which a small group of large corporations predominate in an industry.

- With the globalizing of the economy, most large corporations have become transnational, or multinational, companies. They operate across different national boundaries in two or more countries.

- The large business corporations have started to restructure themselves over recent years. As a result of 'downsizing' - the shedding of staff through internal reorganization - they are becoming leaner and less bureaucratized. Many have become loose networks of groups rather than bureaucratic hierarchies in Weber's sense.

- Bureaucratic organizations almost certainly won't disappear, but will coexist with other types of organizations and groups.

- All modern organizations depend on the specialization of knowledge and the transmitting of information. Professionalization, together with the increasing use of information technology, may be leading to a general increase in the flexibility of organizations. The impact of these changes - thus far, at any rate - has often been exaggerated.