Max Weber and the Yellow Pages

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Abstract

Standard conceptual and operational approaches to organizational research are poorly aligned. Conceptual definitions of organizations, from Weber to Williamson, refer to purposively and relationally dense social groups structured by explicit coordination and control. Operational definitions locate organizations as institutionalized social facts: we find organizations in the Yellow Pages rather than through measurement of real 'organized' activity. Much recent social analysis helps us to see this disjuncture as problematic. The paper suggests that theory and method can be brought together within a broader theoretical analysis of how empirical practices within organizations are conditioned by larger processes of social classification. As a step in this direction, the different institutionalisms of James Coleman and John Meyer are considered and illustrated for the case of the health maintenance organization.

I argue that Theoretical and methodological self-consciousness The paper argues that the schizophrenia of academic theory and practice should alert us to the strong way that empirical practices of control and coordination are conditioned by larger processes of social classification. The paper suggests that the separation of internal relations and external identities is a substantively interesting property of organizations and their environments that should be studied rather than elided. I argue that institutional certification helps produce organizations that are internally frail and disarticulated. This notion is explored in a discussion of how state policies defining and supporting health maintenance organizations acted to promote their structural decoupling.
Max Weber and the Yellow Pages

We do not empirically identify organizations the way we try to think about them. Students of organizations have developed a theorized notion of the organization as a certain kind of behavioral structure, one exhibiting formalized and dense coordination and control. But when sociologists study organizations, they do not seek to measure social bundles of coordination and control. They instead adopt institutionalized social classifications, and find their subjects in the Yellow Pages.

I will argue that while this disjuncture between theory and method cannot be easily repaired, it should not be ignored. The institutionalization of the organization as a social category has complex effects on actual organizing. It can dislocate as well as enable real efforts at coordination and control. The schizophrenia of academic theory and practice should alert us to the strong way that empirical practices of control and coordination are conditioned by larger social classifications. The relationship between actual organizing efforts and the broader social definitions within which these efforts are embedded is of central interest to studies of organizations, and more focused analysis of this relationship is facilitated by theoretical and methodological self-consciousness.

1 Conceptual Definitions

For purposes of research, social entities are defined twice. Conceptual definitions propose theoretical constructs for analysis. Operational definitions identify instances for empirical investigation. This paper begins by examining the standard ways in which organizations are approached as a conceptually distinctive object of analysis and study.

By conceptual definitions, I mean attempts to give a precise meaning to terms. Hempel (1952: 11-13) discusses such statements under the heading of explication. He notes that while the natural and behavioral sciences generally employ commonplace expressions (the mathematician’s use of ‘field,’ for example), scientific definitions are not intended to summarize existing usage. The aim is instead to facilitate study by setting out new meanings or emphasizing particular aspects of empirical phenomena.

Conceptual definitions serve this purpose in several ways. They are a starting point

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1I overlook Marx’s addendum to Hegel, which sets the wrong tone for this article.
for theorizing, suggesting relevant questions and avenues for explanation. They clarify
the object of research to an audience. And they guide the observer's identification of
empirical cases for study. No assumption is made here that the last of these purposes
should dominate. In fact, the argument developed later in the paper emphasizes the use
of conceptual definitions as a framework for theoretical development.

The first order of business, however, is to describe how the 'organization' is conceptually
explicated within the sociological literature. The enormous influence of Max Weber on
organizational study makes his conceptualization the right starting point. While the entire
terminological edifice he develops is too complex to be explored here, Weber's general
approach may be outlined.

For Weber, 'A social relationship which is either closed or limits the admission of
outsiders will be called an organization (Verband) when its regulations are enforced by
specific individuals...' (Weber, 1968, p. 48). The differentia specifica of organization for
Weber is thus a palpable order located in an administrative staff. Organizations may be
implicitly ordered by shared understandings and social norms as well. But unlike other
meaningfully structured collectivities, they do not possess only diffuse orientations and
gerelized enforcement.

An 'organization' must also be understood as a group of individuals whose orientations
and behavior are meaningfully interdependent. This conception is fundamental to Weber.
It is made explicit in the primitive term 'social relationship,' which denotes 'the behavior of
a plurality of actors insofar as, in its meaningful content, the action of each takes account
of the others and is oriented in these terms' (p. 26).

Notions of rationality are added when Weber elaborates the concepts of 'formal organ-
ization' and 'bureaucracy.' Formal organizations are described as associations (p. 52),
which for Weber implies that action within them is rationally oriented to interests or
ultimate values. Further, the regulations of formal organizations are enforced not only
rationally but continuously. Bureaucracies are formal organizations possessing a detailed
division of labor, a hierarchy of offices, and impersonal, universalistic rules (p. 956-8).

It is useful to also note Weber's treatment of the state. The state is a kind of organiza-
tion. In general, political organizations are distinguished by their use of physical force as
the means by which they enforce their order. The state is a peculiarly dominant political
organization. In Weber's beautifully balanced phrase, it 'successfully upholds the claim
to the monopoly of the legitimate use of physical force in the enforcement of its order' (p.
In the classics of American organizational theory, the coordinated pursuit of explicit goals amends a Weberian vision of enforced order. For Barnard (1938, p. 4), 'Formal organization is that kind of cooperation among men that is conscious, deliberate, purposeful.' Udy (1959, p. 299) defines organizations as 'any social group engaged in pursuing explicitly announced objectives through manifestly coordinated effort.' James March and Herbert Simon expand on this theme:

'Organizations are assemblages of interacting human beings and they are the largest assemblages in our society that have anything resembling a central coordinative system....the high specificity of structure and coordination within organizations—as contrasted with the diffuse and variable relations among organizations and among unorganized individuals—marks off the individual organization as a sociological unit comparable in significance to the individual organism in biology.' (1958, p. 4).

Blau and Scott refer more soberly to entities that are 'formally established for the explicit purpose of achieving certain goals' (1965: 5).

This reception and transvaluation of Weber by American sociologists participates in the larger tension between European and American social theory. As Hamilton and Sutton (1989) show, American social theorists sought an alternative to the European vision (explicit in Weber) of a formally coercive social order. They found an alternative organizing principle in individual socialization to community membership, an idea elaborated most fully by Mead. The same ideas led to theories of organizations as self-regulating structures given socialized participants.

The contrast between Weber and the early American organizations researchers constructs a conceptual axis along which different students of organizations have approached their subject. One pole of this axis is occupied by 'bureaucracy' or 'hierarchy,' where the organization is defined by formal structure and clear lines of authority. The other pole treats the organization as a more natural collectivity linked by shared identities and purposes. Explicating the literature, Scott (1981) speaks of rational and natural systems perspectives; Barley and Kunda (1992) of rational and normative rhetorics of control.²

²Scott also delineates an 'open system' perspective, which sought to take a more flexible and complex
Perhaps the contemporary line of analysis where the ‘rational’ conception is posed most firmly is that of the ‘new economics of organization.’ Organizations and markets are taken as alternative frameworks for performing complex activities. Markets are systems of independent action coordinated bilaterally through exchange; organizations (often described as hierarchies for theoretical emphasis) are systems of directed action coordinated by a central decision-maker (Alchian and Demsetz 1972; Williamson 1975, 1985). Command asymmetry is reflected in the ability of authoritative actors to make decisions by fiat and the capacity of the monitor to plan activity, distribute rewards, and hire and fire. The traditions of economics leads these arrangements to be interpreted as contracts between freely acting individuals, instituted as a response to dependencies in productive efforts or transactions. Nevertheless, the ability of particular individuals to issue orders defines what is special about the organization for economic analysts, much more so than for contemporary sociological inheritors of Weber.3

In contemporary work, the ‘normative’ or ‘natural system’ pole is most apparent in cultural analyses of the organization (see Barley and Kunda 1992; Ouchi and Wilkins 1985 provide an excellent guide to the literature). This work treats organizations as maintained through shared meanings and purposes, and as developing distinctive symbols, rituals, stories, and identities. For example, William Ouchi (1980; 1981) speaks of ‘Theory Z’ view of interactions within organizations and their relation to an external environment. But in formal terms, this perspective offers a rather minimal definition of the organization as a bounded system, where internal interactions are tighter than interactions across the entity’s boundary. Since ‘behavioral’ boundedness is fundamental to all the theoretical approaches discussed here but not to the operational approaches discussed in the next section, I do not stress the particular contribution of the open systems approach.

3It is not easy to find a contemporary sociological discussion of organization that takes organizational rationalization seriously as a tightly integrated system of control. For a sense of what such a view looks like, consider the following account:

‘Organizations are social units (or human groupings) deliberately constructed and reconstituted to seek specific goals….characterized by (1) divisions of labor, power, and communication responsibilities, divisions which are not randomly or traditionally patterned, but deliberately planned to enhance the realization of specific goals, (2) the presence of one or more power centers which control the concerted efforts of the organization and direct them towards its goals; these power centers also continuously monitor the organization’s performance and repattern its structure, where necessary, to increase its efficiency; (3) substitution of persons, i.e., unsatisfactory persons can be removed and others assigned their tasks.’ (Etzioni 1964: 3)
organizations and of ‘clans’ that are ordered by internalized commitment to collective
goals, built up through dense and non-hierarchical patterns of interaction.

It should be emphasized that these normatively aligned collectivities are not ‘natural’
but instead are consciously constructed. Barley, Meyer and Gash (1988) thus show how
academic discussions of organizational culture have gravitated towards a practitioner’s
notion of organizational culture as manipulable.4 Rather than throwing away notions of
the organization as a well orchestrated system of co-action, cultural analyses seek to treat
coordination as socially and symbolically rich. Intersubjective meanings and dense patterns
of communication and participation are seen as realizing the integrated coordination and
control project that organization charts treat as a paper exercise.

While most discussions counterpose rational and normative treatments of the organi-
zation, for present purposes the striking thing is how much they share. At their core is
a vision of the organization as explicitly controlled and coordinated structures. Height-
ened forms of control and coordination appear throughout: in Weber’s specialized ad-
ministrators, Barnard’s conscious cooperation, March and Simon’s central nervous sys-
tem, Williamson’s decision-making by fiat. Differences center around how coordination is
achieved, with authors imagining different mixes of formal design, hierarchical structure,
natural cooperation, and mobilized group identification.

The organization as theorized is set apart from two other theorized social structures: the
market and the primary group. Markets are implicitly coordinated by the joint exchange
relations of actors within them. But they lack individual goals that usefully aggregate,
collective authority, and jointly binding rules for action. Members of primary groups
are implicitly controlled by the density and multiplexity of relations to co-members, and
the linked identities these relations give rise to. But such groups lack coherent goals,
consciously engineered role structures or symbol systems, and tightly coordinated action.

Theoretical conceptions of the organization thus provide a rich portrait of what is spe-
cial about the organization as a social form. The several conceptual approaches discussed
above provides much room for different sorts of insights into social processes. But some
core research themes and ontological commitments are already prefigured. By imagining
the organization as an explicit coordination and control system, for example, the notion
of efficiency becomes central to analyses of organization in a way it is not central to most

4Kunda describes how organizational cultures are taught in seminars; for recipes for designing culturtes,
of sociology. By treating organizations as behaviorally coherent entities, researchers are strongly motivated to look within organizations to understand how they work. They can refuse to do so, but this involves ignoring the above conceptual visions that give theoretical content to theis subject.

2 Operational Definitions

As Nietzsche put it, only that which has no history can be defined. It is thus not surprising that the above definitions bear no obvious relation to the way organizational sociologists approach their empirical work.

Consider the following illustrations of research practice:

- In a study of the effects of environmental variation on organizational structure and strategy, Freeman and Hannan (1983) derived a sample of restaurants from listings in the Yellow Pages.

- In a study of intraorganizational power struggles, Fligstein (1987) constructed a list of the 100 largest nonfinancial corporations in the United States.

- In a study of organizational reputations, Schrum and Wuthnow (1988) identified a sample of research organizations involved in nuclear waste management and photovoltaics by examining the organizational affiliation of authors in relevant research journals.

- In an analysis of possible sampling frames, Kalleberg et al. (1990) investigated five ways of identifying organizations: street enumeration, unemployment insurance records, Dun and Bradstreet’s Market Identifier, the White Pages, and Chamber of Commerce memberships.

A first observation is that organizations are not identified with special methodological tools. The practice of organizational research is not like network analysis, where analytic criteria and techniques define social aggregates. (For example, a clique is both defined and identified as a maximal fully connected subgroup.) There is in fact no attempt to
measure or ascertain the concrete patterns of interaction featured in sociologically realistic definitions of organizations.  

Rather, the organizational researcher studies those social entities defined in the larger social system as organizations. At minimum, this involves a shift in analytic level. Classical conceptions refer ultimately to individual orientations and their combination in interdependent activity: to forget this is to reify the organization (Weber 1968: 27; Colignon 1989). Operational definitions refer to the cultural categories of the social environment within which the organization is situated. Put another way, operational definitions adopt the reifications of the real world.

In Berger and Luckmann's (1967) language, an institution is a social activity, relationship, or category that attains a taken-for-granted or 'factual' character transcending individual perceptions. Social institutions confront individuals as external objects whose source in human action is difficult to discern, and which cannot be ignored. They involve reification, to be sure, but reification as a characteristic and sociologically meaningful product of human interaction.

Standard operational criteria for identifying organizations are institutional in this sense. They recover the organization as an institutionalized social fact. In the above examples, various types of public authorities (Departments of Corporations, professional associations, the Yellow Pages) are often the sources of these social definitions. Such operations are often further grounded in the linguistic categories and social knowledge of a generalized public.

Incidentally, research by Lynne Zucker (1977) demonstrates that the 'organization' does in fact serve in common understanding as a cultural model independent of any particular activity pattern. In a simple visual perception test, participants who were told that they formed 'organizations' acted differently than participants who were told that they formed 'groups.' Members of the 'organizations' attended more closely to each other than members of 'groups,' producing more transmission and maintenance of visual perceptions across trials.

'Technical' operational procedures are employed in organizational studies, but these are always derivative and secondary to the taken-for-granted identification of the organization as social fact. For example, researchers may establish a size cutoff (measured in employees

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5Entries in the Yellow Pages cost more than entries in the White Pages. No empirical inquiry into the existence of formal structures or specifiable goals is conducted by the phone company.
or sales). Or researchers may decide whether it is more appropriate to treat parent companies or divisions or departments as organizations (for discussion of appropriate criteria, see Freeman [1978]). But choosing between institutionally certified units is quite different than independently identifying collectivities that satisfy theoretical aims.

3 The Mismatch between Concept and Operation

It is not clear that Weber had the Yellow Pages in mind when he wrote the methodological preface to Economy and Society. External certification does not imply a continuously enforced order. Nor does it imply the specific goals and deliberate coordination described by Barnard and Udy. Even Blau and Scott’s notion of formal structure pertains to the regularization and de-personalization of roles within the organization, not the status of the organization within a larger society.

It is of course a commonplace in organizational research that formal structures do not correctly describe what actually happens within organizations. But this is not what is at question. Viewed together, the theoretical definitions cited above take a broad view of how organizations coordinate and control activity. But they agree that organizations do form distinctive sub-systems at the level of empirical behavior, in principle identifiable though close social measurement of patterns of activity and meaning. What is at question is the extent to which organizations as ‘institutionalized social facts map onto this vision of a behaviorally bounded entity.

Slippage appears immediately when we consider the extremes of the organizational size distribution. Individuals can incorporate themselves, violating the basic theoretical assumption that patterned interdependencies and interaction between individuals are the core of organization. More importantly, at the other extreme, hugely complex structures that defy organizational analysis possess institutional unity as organizations. Industrial conglomerates make little sense as interdependent systems of production, and might be understood as capital markets (Williamson 1975). The state is too large and too disjointed to be treated as an organization per se: an organizational analysis of the state would examine government agencies but not the state as a whole.6 A university is likely to be

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6 Further, the elaboration of cultural bases for legitimate statehood undercuts the degree to which contemporary states can be seen as real monopolists of power a la Weber. The monopoly claims they successfully advance are made to and accepted by the international community much more than the local population.
treated as an organizational environment, not an organization.

The case of educational organizations has been widely seen as violating theoretical notions of the organization. John Meyer and colleagues describe schools as externally ordered ceremonial systems, where powerful social demands and opportunities provide stable resources but disorganize internal operations. Schools involve neither direct inspection of instruction, nor inspection of outputs, nor standardization of materials, nor consensus over technical procedures (see Meyer and Rowan 1978).^7

Collegial organizations of professionals (legal partnerships, medical group practices, academic departments) also map poorly onto conceptual definitions. They involve a pooling of resources and income streams that damp environmental fluctuations, but professional credentials and collegial norms militate against the development of substantial interdependencies, distinctive local goals, and much coordination (Hall 1968; Freidson 1975). They are better conceptualized as structures whose elements face outwards, toward professional networks that span institutional affiliation. It is the status, resource, and communication structures of the larger occupational communities that holds these systems in place, not internal processes.

Recent industrial analysis notes that much business enterprise is moving towards a parallel dismantling of explicit coordination and control systems. Piore and Sabel (1984) argue for the historical demise of the Fordist model—the integrated large-scale firm structured by bureaucratic procedures and unified governance—as unwieldy in an economy marked by individualized consumer tastes that shift rapidly. Integrated firms are replaced by a) patterns of autonomous project organization that criss-cross internal and external boundaries of the organization, and b) communities of small, specialized units that are loosely coupled internally and densely connected externally.^8

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^7^In a milder way, the ‘garbage can’ models of decision-making formulated by Cohen, March, and Olsen (1972) to describe universities also challenge theoretical conceptions by substituting random walks coordinated by time for coordinated social processes.

^8^Some of the organizational trends mapped by Piore and Sabel (and many others) have to do with the demise of bureaucracy, and so do not challenge the broader coordinative vision that lies at the core of organizational research. Demonstrations that bureaucratic structures are replaced by a denser but more informal organizational culture, or a more complex structure of communication, are highly compatible with
Generalizing the argument, much recent research argues that repetitive, planned coordination occurs between and across organizations as well as within them. The structural re-alignments involved are depicted by Powell (1990) as pointing to a ‘network’ mode of social organization. Powell contrasts network with both market and hierarchy, using the latter to indicate a bureaucratic organization. In doing so, he locates explicit coordination and control systems that are not institutionally defined as organizations, and not substantively addressed within the organizational literature as a result.

Powell thus notes the following. First, individual actors in market relations cohere in durable relationships that coordinate production over time. For example, Eccles (1981) discovers quasifirms in the construction industry: groups of independent contractors who consistently work on the same projects. Second, networks emerge across organizational boundaries in ways that disorganize the firm. Powell here notes particularly the publishing industry, where editors develop strong ties to authors and intellectual communities while their ties to the organization decay (Coser, Kadushin, and Powell 1982). Third, organizations enter into substantially expanded relations with each other. These include not only marketing joint ventures, but more closely cooperative strategic alliances and multi-firm collaboration.9

In all this work, institutionalized organizations are viewed as having limited coordinating and controlling capacity. The structural components classically seen as producing unified control and integrated action instead seem to block effective control and impede action. By contrast, markets and primary groups are seen as having large and untapped potential as devices for coordinating and controlling activity. Formally autonomous exchange is translatable into durable and flexible network relations, yielding quasifirms and joint ventures rather than spot contracts. Social linkages grounded in membership in larger social communities generate trust and long-term commitment that facilitate trading and productive relations, rather than obstruct the rationalization of behavior.

The gap between conceptual and operational definitions is not thus simply a matter of some empirical cases that fail to map convincingly onto theoretical criteria. It is the

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9Esser (1993) links changes in inter-firm exchange relations to shifts in legal notions of contract, noting the joint construction of closer relations between firms and a language to portray and regulate these ties.
recent theoretical appreciation of non-institutionalized coordination and control systems that most tellingly suggests problems with standard practice. Much research questions the larger notions that organizations are well bounded from their environments, and that coordination and control within organizational boundaries is much denser or more coherent than interaction outside or across organizational boundaries.

3.1 The Consequence of Disjointed Definitions

It seems a poor strategy to theorize one sort of social activity and operationalize another. A mismatch of this type has two probable consequences. First, arguments developed with reference to theoretical concepts have diminished predictive power. Second, theoretical analysis of the units that are operationally defined as organizations is made awkward.

On the first point, for example, consider the common finding that organizations often face a ‘liability of newness’ where failure rates decline with organizational age (Stinchcombe 1965; Freeman, Hannan, xxxx). This liability accords with standard conceptual understandings of organizations as tightly integrated and interdependent systems—it takes time to build routines that coordinate complex activities, to socialize participants to common meanings and elicit commitment, and so on. But when Halliday, Powell and Granfors (xxxx) examine bar associations as ‘minimalist’ organizations, they find no liability of newness. The problem is not that such liabilities don’t flow directly from theoretical conceptions of organization, but that bar associations are organizations in an institutional and not a theoretical sense.

In apparent defiance of the second point, ‘new institutional’ approaches to organizations have been successfully elaborated in much recent work (for an overview, see the papers collected in Powell and DiMaggio 1992). This work uses the notion of the organization as an institutionalized form as a starting point for analyses into how specific organizational practices and forms are constructed through larger cultural and political processes.

But the disconnection between institutional analyses of organizations and a naturalistic conception of the organization carries a real theoretical cost. Causal arguments about institutional effects look like metaphysical claims about the mythic character of social endeavor. A fair amount of time is spent wrestling with ontological dilemmas, and metaphysical pathos (DiMaggio 1988) is one result.

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10 As a student and contributor to this school of organizational analysis, I could scarcely imagine otherwise.
A direct link from theoretical constructs to operational procedures is often described as one of the great virtues of scientific inquiry. Critical views of social scientific method are equally pessimistic about the problems that arise when concepts and practices get out of joint. When this happens, the process of conceptualizing a domain of analysis becomes more a hindrance than a help.

4 Reconciling Theory and Practice

How might theory and practice be brought into closer contact? One strategy is to purify sociological practice: to fashion operational procedures that map onto standard conceptual definitions, or to fashion conceptual definitions that map onto standard procedures. A second strategy is to retain messy research practices, but to focus theoretical attention on the tensions involved.

4.1 Put Standard Theories into Practice

Operations realizing classical organizational definitions may be approached in a relational vein through direct observation of social interaction. For example, the analyst could delineate production systems by tracing interdependencies in concrete activities. Communication densities can be probed to locate groups of strongly connected actors (xxxx). Empirical probabilities of giving and receiving commands can be substituted for organization charts; rates of interaction for formal employment status. Network analyses that locate stable exchange structures in markets (Eccles 1981; Faulkner 1983) suggest that the microidentification of action systems is not wholly infeasible.

An alternative to a relational strategy for identifying structure is the microanalysis of identity and culture formation. Beyond patterns of interaction, classical notions of organization imply that a set of individuals form a self-conscious collectivity. Research in organizational culture could seek the boundaries of collective identification, and could locate the linguistic boundaries of organizations (which would interact in complex ways with occupations and larger social collectivities as alternate language communities).

The strategy of directly mapping social structure onto organizations is highly challenging. The development of a research technology capable of meeting this challenge would make organizational research into a much more fundamental study of "social organization."

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It would require careful formulation of both conceptual and operational definitions, and push inquiry away from commonsense understandings.

4.2 Theorize Standard Practice

A second strategy is to theorize conventional institutional criteria. For example, one can begin by regarding the organization as a legal construct. In a historical sketch of the emergence of the modern organization, James Coleman (1974) argues that distinctive capabilities were conferred on corporations as juristic persons. "What was new was the idea that certain entities had rights to engage in transactions on their own, so to speak—rights to determine on their own what they would own, buy, and sell" (Coleman 1974: 24). Organizations are here social entities that are externally chartered as actors.

Changes in measurement operations like those described in the previous section have the potential to locate new objects of study. Changes in understandings of the entities already under investigation yields the more modest return of enabling some questions to be asked more easily. For example, Coleman's approach immediately focuses attention on the determinants and effects of organizational rights and obligations. The law becomes a crucial component of organizational research—quite different from the marginal role it has played in the behavioral tradition of organizational research.

Coleman thus provides a fascinating discussion of the balance between the rights of organizations and those of natural persons (human beings). He makes it clear that the contemporary operation of organizations are the product of a longterm evolution in legal concepts, one that in many ways parallels the legal and political emergence of the individual’s agency. Yet there is also a tension between the agency of individuals and organization, where the effective choices of natural persons may generally decline as juristic persons acquire greater freedom of action.

Institutional analyses (Meyer and Rowan 1977; Meyer and Scott 1983) also suggest a theoretical treatment of organizations that lies close to standard measurement operations. Meyer (1983: 264) treats the organization as a kind of cultural account:

"Formal organization is the depiction of a structure of roles, activities, and interrelationships in an explicit and unified way. It is an integrated and complete account (no matter how unrealistic this may seem in fact) on which relevant
participants agree. A structure is a formalized organization when such an ac-
count, and no other, prevails."

Such a definition is fully in agreement with the classical definitions of Weber, Barnard,
and others—except that it refers to cultural understandings, rather than behavior.

This approach is more general than one treating the organization as a legal form. A uni-
fied cultural account may be constructed via legal materials, but it may also arise through
intra-organizational processes or in the taken-for-granted understandings of broader publics.
Questions raised by this approach have to do with how cultural accounts are forged, how
unity in accounts is maintained in the face of empirical disorganization, and how all this
impinges on empirical patterns of behavior (the topic of the next section).

One implication of these empirically inspired approaches is that organization building
is a highly reflexive activity. In constructing organizations as meaningful social vehi-
cles, individuals think about and theorize organizations. The application of these theories
further differentiates institutionalized organizations from unanalysed social collectivities.
Taylorism makes productive organizations less like informal work groups. Radical cri-
tiques of bureaucracy produce organizational structures at odds with conventional forms
(Rothschild-Whitt 1979), more so than simple structural imperatives would require.

4.3 Study the Disjuncture between Theory and Practice

An alternative approach is to treat the disjuncture between theory and practice as point-
ing to an interesting problem. How are local strategies and relations conditioned by the
availability of the organization as an institutional construct? And how do subsequent or-
ganizational practices act to produce and reproduce that construct? To consider some of
the main lines of argument on these issues, I again consider the quite different institutional
accounts of James Coleman and John Meyer, this time with an eye to their substantive
arguments rather than their definitions of organization.

In a major theoretical treatise, James Coleman (1990: especially chapters 4, 7, 16,
and 20) reworks the notion of the organization along with most of the rest of sociology.
Coleman treats the organization as an accounting device. The organization is a fictitious
entity with the formal capacity to enter into exchange relations with natural persons and
also other similar fictitious entities. Employees contribute to and are reimbursed by this
entity; the entity exchanges goods and services with other such entities.
Formal structure is also a way of defining and organizing principal-agent relations. Coleman notes that actors often want to get others to act for them without thereby ceding 'ownership' of the right to act. The construction of 'organization' composed of 'positions' solves the problem: 'lieutenants' acquire the powers and duties of a specific role within the organization without personally acquiring these powers and duties for themselves. Organizational structure here serves as an alternative to 'feudal' systems of personal obligation.

Coleman's is a fully cultural analysis. Different societies have constructed notions of social actors that are separable from human actors in different, and more or less elaborate, ways. The construction involved is not a simple mental or theoretical process; it is instead the painstaking elaboration of routines and behaviors that define and constrain the uses to which the concept of organization can be put. Coleman is thus serious about the law as the site where these activities are practically defined and made consistent with empirical patterns of behavior.

The thrust of Coleman's analysis is to describe how the organization is an institutional form built up to enable action. In early work (Coleman 1974), stress is placed on limited liability as a device for separating the individual members from the corporate entity. More recent statements suggest a more abstract view of the benefits to organizing. For instance, the fiction of organizing exchanges with a central entity is described as simplifying the relational calculus when many people are involved. Throughout, the motive behind the painstaking cultural construction of the organization is the clumsiness of more 'primordial' forms for people who want to get things done.

While Coleman sees the organization as institution as enabling action, John Meyer and other members of the 'new institutionalism' in organizational analysis take an opposing view. Institutionalized rules defining the organization are here thought to break down local relationships and obstruct internal efficiencies, diminishing the opportunity to construct tightly integrated, explicitly coordinated structures. Two main arguments are made.

First, benefits accruing to a legally or socially privileged form lead all kinds of activities to seek shelter under it. Actors may construct externally recognized organizations lacking a division of labor, hierarchical relations of authority, or defined boundaries, and gain legitimacy as a result. For example, Jenness (1993) details COYOTE, an internally hollow prostitute’s rights organization. While it lacked structure, routines, and members, as a 'concept' COYOTE provided a front for its founder and her allies that blunted questions about their status and constituency (for example, were the activists real prostitutes).
Second, as a core institutional construction the organization becomes the site for a variety of intrusions, often of a highly institutionalized sort. Organizations become crucial locations where all kinds of societal aims may be achieved. Licensing and accrediting bodies make demands for expanded and formalized documentation of new kinds of activities. Organizations become accountable actors in ways that informal work groups and stable exchange networks are not.

Under these conditions, efforts at preserving coordination and control may take up three strategies. One is to buffer internal operations from external mandates by forms of ceremonial compliance (Edelman 1992). A second is to enlarge internal missions and technologies until they map onto those of external constituencies. Personnel departments may thus treat state labor and hiring standards as pressures for more effective human capital allocation and development (Dobbin, Sutton, Meyer, and Scott 1993). And a third strategy is to elude standardized external demands by decoupling activities in atypical ways. Italian firms stay small and cooperative to avoid national labor laws; American firms externalize employment to shelter pension funds and cut benefit packages (Pfeffer and Baron 1988).

In much discussion of these issues, Meyer (see especially 1983) argues that organizations are disarticulated by the increasing rationalization of their environments. Where organizational purposes are substantially defined by the collective purposes of a larger society, where organizational participants are certified professionals tied to an occupational community rather than to the firm, it is difficult to build coordination and control systems that are locally sensible and complete. Unified organizations are found on the cultural and ecological margins of the world-economy. Models of tight integration are the Prussian state and the Thai factory.

One way to think about the quite different insights of Coleman and Meyer is that Coleman examines first order institutional effects, and Meyer examines second order ones. Coleman asks what kinds of activities institutional rules enable. Meyer treats longer run adjustments by actors to the existence of rules. Thus the institutional chartering of organizations leads weak enterprises to pose as organizations, and also leads various actors to seek to locate various social responsibilities within organizations (because they cannot locate these responsibilities in informal social groups, or in markets).

All the effects detailed by Meyer and colleagues involve second-order institutional processes. That is, they involve not the immediate impact of institutionalized rules about
organizations, but the adjustments made by different actors to those rules.

Thus the chartering of the organization as an institution leads weak enterprises to pose as organizations, and also leads various actors to seek to locate various social responsibilities within organizations (because they cannot locate these responsibilities in informal social groups, or in markets).

Taken together, the work of Coleman and Meyer suggests that the relation between institutional certification and organizational coherence may depend on the balance of first and second-order institutional effects. Where the effects Coleman focuses on predominate, the external chartering of the organization makes it possible to bring internal operations under fuller and more unified control. But where responses to institutionalized opportunities of the type described by Meyer dominate, external chartering may make internal rationalities difficult to achieve.

If this argument has merit, it may be particularly critical to rethink our conceptualization of organizations today, so as to retain some purchase on the phenomenon. And it may help to explain the formulation of an institutional perspective on organizations, and the uneasy way that students of organizations now hold their definitions at arms length.

5 The Impact of External Certification on Health Maintenance Organizations

The case of the health maintenance organization (HMO) illustrates one possible relationship between institutional classification and internal organizational practice. It is a particularly useful case because the institutional definition of the HMO changed abruptly in the 1970s. I briefly sketch how HMOs went from delegitimated organizations to public policy solution, and the impact of these institutional contests on the structure of health maintenance organizations. The main argument is that public policy support had the unanticipated effect of promoting the growth of internally disarticulated forms of HMOs, which replaced the tightly integrated organizations that had emerged during periods of institutional opposition.

‘Health maintenance organization’ is the contemporary term for a prepaid health plan—an entity that provides health care services to a group of enrolled subscribers for a prepaid fee. Such arrangements are not historically uncommon; for example, Abel-Smith (1988)
notes that consumer health associations hired doctors in most European countries at the turn of the century. The term 'HMO' itself, however, was coined in the 1970s as part of efforts by Paul Ellwood, Walter McClure, Alain Enthoven, and others to reform American health care. Federal and state HMO legislation was partially informed by existing prepaid plans, but it understood these plans in new ways and ultimately reshaped them as well.

'HMO prototypes' (organizations that are now seen as the precursors of contemporary HMOs, but were not understood as forming an homogeneous organizational form at the time) are generally traced to the late 1920s, when Dr. Michael Shadid formed the Elk City Cooperative under the auspices of the Farmer's Union. The major prepaid plans emerged somewhat later: Group Health Association (GHA) of Washington D.C. in 1937, Kaiser-Permanente in 1942, and Health Insurance Plan of New York (HIP) in 1947.

Much of the early history of prepaid group practice revolves around occupational, legal, and political struggles for survival a struggle for institutional certification. American medicine has been historically dominated by an occupation, the medical profession, rather than by formal organizations. The AMA saw prepaid plans as a dangerous step towards lay control of the doctor and socialized medicine (Starr 1982).

The legitimacy of these early HMOs was strongly challenged. HMO physicians were denied hospital privileges and banned from local medical societies. 26 states passed laws banning prepaid plans run by consumers as the corporate practice of medicine, and many others hedged plans with restrictions on employment practices. For example, HMOs in some states were required to contract with any local physician who wished to serve HMO enrollees, blocking attempts by organizational founders to bound and structure the organization.

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Occupational and legal impediments to the certification of organizations managing health care kept the HMO population small and geographically concentrated. But the HMOs that formed and prospered under these conditions appear as exemplary instances of internal coordination and control. Kaiser-Permanente's vertically integrated operation and strong organizational culture provides the most important instance of corporate rationalization. Early plans like Group Health Association and Group Health Cooperative of Puget Sound exemplify the notion of an integrated health delivery system under consumer control. Prepaid group practice was touted by its proponents as the rationalization of medicine via enhanced collaboration among doctors, planned facilities and medical staffs, and managerially-led coordination of health care.

The early 1970s ushered in a new era of institutional certification for prepaid health plans. Dr. Paul Ellwood, a leading policy analyst, gained support in HEW for his analysis of prepaid care as restructuring economic incentives through organizational coherence. Ellwood argued that as insurers HMOs had the incentive to manage the delivery of care, and as health care systems the organizational muscle to rationalize care around these incentives. In 1971, Nixon made HMOs the symbolic centerpiece of his proposals to introduce market competition into health care. In 1973 a federal HMO Act was passed that superseded regulatory obstacles to HMO operation and inaugurated a program of startup grants and loans (Brown 1983). Within 3 years over half of the states had passed HMO enabling acts.

Public support for HMOs was thus classical organization theory in action. State policies were grounded in an interpretation of economizing via administrative rationality and integration. This theoretical logic, which drew on the record of Kaiser and other major established systems, was treated as an abstract theoretical property of all HMOs (Strang and Meyer 1993 discuss this sort of process under the heading of theorization). In particular, legislative support was provided not only to industry and consumer organized group plans, but to loosely coupled independent practice associations (IPAs) where a marketing and administrative entity contracted with solo practitioners on an arms-length, insurance-like basis. Despite great structural heterogeneity among HMOs so defined, prepaid practice

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was for the first time authoritatively defined as a distinctive organizational population.\textsuperscript{13}

Of primary concern here is the impact that massive institutional support had on HMO organizational structures and routines. It is first of interest that direct attempts by lawmakers to reshape prepaid plans were unsuccessful. In the HMO Act of 1973, Senator Ted Kennedy and others sought to make federal support for HMOs a step towards national health insurance. Congress provided supports to 'qualified' HMOs that adopted comprehensive benefit packages, enrolled all comers up to organizational capacity, and set 'community rates' without reference to age or prior medical condition. HMOs successfully fought for relaxation of these 'unworkable' conditions in 1976 and 1981, leading federal support to be provided virtually free of restrictions.

The crucial impact of state regulatory policy was instead unanticipated. The 1970s and 1980s saw a shift away from tightly integrated plans and towards loosely coupled physician networks. This shift worked by differential organizational founding rates rather than by structural changes within organizations. The number of loosely coupled 'independent practice associations' (IPAs) boomed while the number of the more integrated prepaid practices rose slowly. In 1970, IPAs made up ten percent of all plans (6 of 55) and one percent of HMO enrollment (less than fifty thousand enrollees compared to more than three and a half million in more integrated plans). Two decades later, IPAs formed 64 percent of all plans (412 of 643) and enrolled 43 percent of HMO members (13 of 31 million).

Some salient forms of organizational decoupling in IPAs are indicated in Table 1.\textsuperscript{14} Internally, IPAs coordinate and control physicians less actively than the 'group practice' and 'staff' HMOs that dominated prepaid practice before the 1970s. Administrators in IPAs report less monitoring of physicians. IPA physicians report less organizational coordination. These decreases in the volume of reported managerial activity occur despite an increase in formalized organizational controls. For example, required plan certification of hospital admissions and out-of-plan referrals are used more frequently in IPAs. But these routines involve less coordination and control than the more continuous forms of contact

\textsuperscript{13}Population level data on prepaid practice and comparative analysis on prepaid plans thus date from the 1970s. Such efforts are almost entirely oriented to the public policy debate surrounding HMOs: advocates (and opponents) begin to track the HMO population, examine the effects of regulatory and market conditions on HMO growth, and analyse the impact of HMO growth on medical costs.

\textsuperscript{14}Information on internal organizational arrangements in HMOs is based on data from Hetherington's 1980 survey 'The Organizational Structure of Health Maintenance Organizations.' Hetherington's data represent the best information on internal arrangements in HMOs available.
that mark other kinds of HMOs.\textsuperscript{15}

Intra-organizational communication frequency is also lower in among IPAs. Physicians in staff or group HMOs talk to physicians within their HMO on an average of twice a day, and to the HMO medical director once a week. By contrast, physicians in IPAs talk less with the medical director, and are in closer contact with physicians outside the HMO than they are with physicians inside the HMO. Micro-relational definitions of organizations might not recognize such plans as organizations at all.

Why did institutional support for the HMO translate into the growth of loosely coupled IPAs? The leading cause of the rapid growth of the IPA subpopulation is their ease of founding and operation.\textsuperscript{16} IPAs rely heavily on the existing “building blocks” provided by the health system: most importantly, the ability of physicians to practice individually and through referrals in the absence of a central coordinating mechanism. IPAs are trivial to set up because they involve no necessary change in physician routines, occasion no strong dependence on the plan for revenues (since physicians maintain their existing practices), and require little managerial expertise. Of course, these are the opposite of the characteristics that led health policy analysts and reformers cited in favor of an HMO policy.

On the other hand, tightly integrated plans are difficult and costly to found. They involve substantial startup costs, large commitments by physicians and others that can only be met as the plan grows, and specialized forms of managerial expertise not found in the health sector at large. PGPs are difficult to found and to maintain because as integrated stand-alone plans they fail to draw on the rich conventional infrastructure of medicine.

\textsuperscript{15}It is unclear if the IPA structures that proliferated in the 1970s and 1980s are stable. Welch (1987) argues that IPAs increasingly adopt strict cost-control measures and contract for larger portions of physician practices. While IPAs may become more economically competitive over time, however, they remain substantially less integrated than staff or group models like Kaiser.

\textsuperscript{16}Another major factor, was the increasingly real challenge that integrated prepaid practices posed to solo practitioners. Until the 1970s, much of the competitive potential of integrated prepaid systems was defused by the concerted political and occupational opposition of the medical community. Once armed with federal policy support, prepaid group practices had to be resisted in the marketplace. As a result, in the 1970s the founding of IPAs was highly sensitive to the presence of prepaid group practices in local markets (Strang and Uden-Holman 1990).
While these factors had been largely irrelevant for HMO formation in the pre-1973 institutional context, political and legal support for HMOs led them to be highly consequential after 1973. On the demand side, policy support led to much speculative investment in HMOs. Investors could most rapidly and effectively enter into the HMO market by sponsoring low overhead IPAs. On the supply side, newfound organizational legitimacy diminished managed care's isolation from the mainstream of fee-for-service medicine. In the early years, the enforced isolation of prepaid plans had promoted the internal integration of prepaid plans. But in the 1970s and 1980s, it was possible to mix HMO and mainstream structures and to expand exchanges across organizational boundaries.17

The case of the HMO is thus striking on two counts. In an institutional context marked by weak legal supports for organizations managing health care and much occupational and political opposition, the HMO population languished but individual organizations were tightly integrated operations. By contrast, in an institutional context marked by broad institutional support the HMO population expanded rapidly but loosely coupled physician associations emerged as the dominant type of HMO. First order institutional supports for intensively managing health care were overrun by second order opportunities to create flimsy organizations.

It is important to note that the specific ways that the institutional definitions of the HMO affects internal operations is very much a product of the larger structure of the American medical system. Health care is largely organized around the autonomy and broad competence of physicians located in informal networks of referrals (Freidson 1970). As profession and network, physicians tend to undercut the emergence of organizations (as distinct coordination and control entities) managing health care. When HMOs were institutionally embattled they forged strong organizations precisely because they were forced out of the mainstream of American medicine. When they reentered the mainstream, HMOs were increasingly formed around solo physician networks, which blurred organizational boundaries and weakened organizational coordination and control.

The argument here is that given such an infrastructure, institutional support leads formal organizations towards greater interpenetration by external actors, and away from

17Preferred provider organizations and point-of-service plans, where the client can either stay within a network of contracting physicians or see physicians outside the network at greater cost, mark a further step in the increasingly complex mixing of health financing and delivery principles.
classical organizational rationalities. In institutionally and occupationally sparse environments, certification might have helped HMOs achieve internal coherence. But given the highly institutionalized dominance of the medical profession, political and legal support has sponsored a blurring of HMO boundaries and a weakening of organizational coordination and control.

6 Conclusion

This paper has argued that the study of organizations tends to theoretically organize its subject around 'realistic' visions of internal coherence and order, while empirically identifying organizations by their cultural standing in larger social systems. This mismatch cannot be healthy; arguments developed in contact with conceptual definitions appear empirically weaker than they should, and insights linked to the entities we call organizations are not easily theorized.

The main result is that organizational theorists and researchers are unlikely to possess a helpful conceptual definition of an organization. This is problematic because such definitions are an invaluable tool in formulating lines of inquiry; even when they are under attack they have great value. Exciting research grew out of simultaneously pursuing and challenging Weberian notions of bureaucracy (Gouldner 1954; Blau 1955; Dalton 1959). The greatest danger seems to arise when conceptual definitions seem uninformative or in poor taste.

Three strategies for rethinking our conceptions of organizations are suggested. Attempts to develop methodological tools that pick out complex and coherent structures, and to formally theorize institutional criteria seem valuable exercises. But it seems most practical to aim at conceptual sensitivity to the joint realistic and institutional dimensions of organizing. Disjunctures between these dimensions provide opportunities for substantive analysis, not definitional hair-splitting. The case of the HMO suggests that substantial organizational change attends shifts in the institutional identities of organizations, in perhaps surprising ways.

Finally, I should note that the issues discussed in this paper are not specific to the study of formal organizations. The great majority of social analysis is theoretically attached to local realisms of interaction and interdependence, while methodologically dependent on data about highly institutionalized and constructed entities. For example, much research
relies on the reified nation-state as data generator and unit of analysis—and this includes work done from theoretical perspectives that deny the state and national society much unity and causal efficacy. The disjunctures that appear in this paper are thus repeated in many domains of analysis.
References


