CHAPTER 2

Objectives and learning outcomes

By the end of this chapter, you will be able to

- Understand the contributions of Max Weber to management thought
- Appreciate how Weber’s ideas have been influential for much subsequent debate
- Be able to see that there are different forms of rationality
- Discuss rationalities from institutional theory and postmodern approaches
- Understand how and why management action is embedded
MANAGING RATIONALITIES

Modernity, Postmodernity, Embeddedness
Outline of the Chapter

Setting the Scene

Central Approaches and Main Theories
   Bureaucracy
   Institutionalizing Rationalities
   Postmodern Rationalities

Critical Issues: Rules and Rationalities
   Different Perspectives, Different Rationalities
   Formal and Substantive Rationality
   In Praise of Bureaucracy

The Fine Print: Weber, His Heirs, and Consequences
   Dominant Rationality or Plural Rationalities?
   Institutionalizing French Bread
   Embedding Economic Action in Social Action

Summary and Review

One More Time . . .

Additional Resources
As we have seen in the previous chapter, management theories were first formed around 1900. Although Taylor, Mayo, and the other thinkers we have surveyed got the credit for opening up inquiry into management and organizations, Max Weber, a German scholar active in the late nineteenth and early twentieth centuries, was easily a more significant thinker. Weber’s work was part of a broad comparative inquiry into human civilization. He was the first to focus on the totality of the organizational forms that were becoming significant when he wrote—the model for which was bureaucracy. Bureaucratic organization, seen at the turn of the nineteenth century as the hallmark of modern organization, depended above all else on the application of what Weber termed “rational” means for the achievement of specific ends. Techniques would be most rational where they were designed purely from the point of view of fitness for purpose: The better they fit their purpose, the more rational they were. However, the stress on rationality symptomatic of Taylor and the engineers was analyzed critically by Weber. His interest was in the link between rationality, rules, and their social impact, which we illuminate in more detail in this chapter.

Although Weber wrote on bureaucracy in the first twenty years of the twentieth century, he was not much read by anglophone management theorists until after World War II, when his works were widely translated into English. Weber wrote on rationality at roughly the same time as Taylor, yet his contributions were unheralded in English at that time. He was familiar with the work of Taylor and other scientific management writers, but they were not familiar with him, although their conceptions of rationality were clearly related. However, Weber’s conceptions of rationality were not purely instrumental. Relating a set of means as mechanisms to achieve a given end was certainly one version of rationality, but Weber recognized it as only one of a number of ways of being rational. Although Weber believed that instrumental means–end rationality would become dominant, he did not believe that it would be the only basis for rationality.

Weber (1976, 1978) focused also on the substantive effects of instrumental rationality, which the writers on management did not. For instance, at the end
OUTLINE OF THE CHAPTER

SETTING THE SCENE
PART I MAKING SENSE OF MANAGEMENT

CENTRAL APPROACHES AND MAIN THEORIES

Bureaucracy
of his study of The Protestant Ethic and the Spirit of Capitalism (1976), he noted that, although it would be instrumentally rational to consume resources till the last ton of fossil fuel was exhausted, such industry would be something only a fool bent on environmental folly would do. In substantive or real terms, this kind of rationality was idiocy.

As management thinking developed, its notion of rationality became much more complex. Decision making, rather than being a simple matter of rational calculation, was seen to be something marked by incomplete knowledge, irrational preferences, limited search, and a disposition to accept satisfactory rather than maximally utilitarian and efficient outcomes. The context within which the process of making decisions occurred became likened to a garbage can. Various solutions were tossed into the garbage with other trash; there they attached themselves to those problems that they had an affinity for, like a ripe banana skin spreading and oozing onto yesterday’s used tissues. The tissues’ absorptive capacity becomes the solution to the problem of the ooz.

What counts as a solution and what is reckoned to be a problem is culturally contingent. For instance, in the United States, a president who enjoyed the brief attentions of a female intern risked the rationality of his presidency. Other achievements were consumed by the garbage that attached to the statement “I did not have sexual relations with that woman.” In France they do things differently. When President Mitterrand died, what the whole political and journalistic establishment had known for years became news: that the President maintained a mistress as well as a wife, and had fathered a daughter with her. In the United States, a small indiscretion and a big mouth spelled heaps of trouble; in France, the trash was not exposed but left in the garbage can of a private life.

To insist on a singular rationality, a rationality ensured by science, a single story, proves to be an exemplification of modern rationality, espoused by modern management. Postmoderns do it differently. They accept a plurality of plausible stories; entertain the possibility of different rationalities for different people—different strokes for different folks, as the old adage has it.

In the early foundations of modern management, these insights were articulated clearly by Weber. He realized that different interests in modern organizations would have different conceptions of what comprised rationality. Postmodern managers need to be able to understand these different rationalities and manage them accordingly. In this respect, they can learn much from stories of humble folk—simple bread makers—presented later in this chapter.

Bureaucracy was important for Weber because it seemed to be the repository of a powerful kind of formal rationality. The rationality in question was
Australia has government of the people by the departments for the cabinet. Its political philosophy is to keep the water on and the foreigners off, at the same time ensuring that the economic confusion is shared as democratically as possible. Although the woolback in the House of Lords is symbolically stuffed with top grade merino, many believe it should be more appropriately stuffed in the Statue of Liberty.

Image 2.1  
Bruce Petty’s view of authority

The career of bureaucracy
constituted in the formal rules of the bureaucracy. When we think of bureaucracy, we often think of red tape strangling individualism or the individual being stamped on by some superior authority that they have to obey. To be labeled a bureaucrat is about as strong an insult as an entrepreneurially minded manager can throw at a contemporary. Bureaucrats are the type of people who say, “I’m from the government and I’m here to help you”—something no red-blooded entrepreneur is supposed to find believable. Bruce Petty, an Australian cartoonist, captures the popular sense of bureaucracy wittily in the drawing in Image 2.1.

Although the rubber stamp is often the symbol of authority, despite this popular perception, bureaucracy has not always been regarded so negatively.

Bureaucracy as a concept has had an interesting career. It begins in France in the eighteenth century by compounding the French word for an office—a bureau—with the Greek word for rule. By the nineteenth century, Germany provided the clearest examples of its success. The German state constructed by its first chancellor, Bismarck, was a model bureaucracy in
Authority and rules

Three sources of authority

1.
both its armed forces and civil administration. The origins of the modern German state were innovations pioneered in Prussia, the heart of modern Germany. Weber realized that the creation of the modern state of Germany had only been possible because of the development of a disciplined state bureaucracy and standing army—inventions that became the envy of Europe. In the military, nothing exhibited bureaucratic discipline better than goose-stepping, which the Prussians invented in the seventeenth century. The body language of goose-stepping transmitted a clear set of messages. For the generals, it demonstrated the absolute obedience of their recruits to orders, no matter how painful or ludicrous these might be. For civilians, the message was that when men were drilled as if they were a collective machine that would ruthlessly crush insubordination and eliminate individualism, a formidable apparatus was created (Davies 1998). Not surprisingly, as modern industrial organizations emerged in Germany in the late years of the century, they incorporated some of the forms of rule whose success was everywhere around them. Although the workers did not goose-step into the factory, they were drilled in obedience to rules.

By the twentieth century, economic ascendancy passed to the United States, especially in the wake of World War I. Corporations increasingly came to be taken as the model of modern management. Increasingly, they too developed bureaucratic forms as a superstructure on the rationalized basis produced by systems such as that of Taylor (see also pp. 18–22). It was these rational superstructures that triggered Max Weber’s prolific research inquiries into the nature of rationality, rules, and bureaucracy.

At the core of Weber’s (1978) conception of organization as bureaucracy was the notion that members of an organization adhere to the rules of that organization. He contrasted three types of authority, based upon the rule of charisma, the rule of tradition, and the rule of rational, legal precepts.

Thus, there were three major bases of authority, thought Weber:

Charismatic authority means that deference and obedience will be given because of the extraordinary attractiveness and power of the person. The person is owed homage because of his or her capacity to project personal magnetism, grace, and bearing. For instance, management gurus such as Jack Welch, politicians such as Nelson Mandela, or popular characters such as Princess Diana have all been seen as charismatic authorities. People follow them because of what they believe to be the special nature of their personalities and the success they have achieved.
CHAPTER 2  MANAGING RATIONALITIES  47

Image 2.2  Max Weber

2.

3.
Traditional authority occurs where deference and obedience are owed because of the bloodline. The title held is owed homage because the person who holds it does so by birthright—they are in that position by right of birth. Prince Charles, for instance, is not so much an authority because of his charisma but because of tradition: As oldest son of the queen, he is the future king of England.

Rational-legal authority signifies that deference and obedience are owed not to the person or the title they hold but to the role they fill. It is not the officer but the office that is owed homage because it is a part of a rational and recognized disposition of relationships in a structure of offices. Examples are easy to find—just think of passport control or police. They are authorities although you don’t know the people acting in the roles. The people who are actually acting are secondary; what is important is the office they represent.
Rational organizations
The third source of authority, based on rational-legal precepts, is exactly what Weber identified as the heart of bureaucratic organizations. People obey orders rationally because they believe that the person giving the order is acting in accordance with a code of legal rules and regulations (Albrow 1970: 43). Members of the organization obey its rules as general principles that can be applied to particular cases and which apply to those exercising authority as much as those who must obey the rules. People do not obey the rules because of traditional deference or submission to charismatic authority; they do not obey the person but the office holder. Members of the organization “bracket” the personal characteristics of the office holder and respond purely to the demands of office. Whether you like the office holder or not is supposed to be unimportant. Police officers may be disagreeable personally, but they hold an office that enables them to do what they do, within the letter of the law. The rule of law is the technical basis of their ability to take appropriate action, in terms of the definitions laid down in law. Weber’s view of bureaucracy was as an instrument or tool of unrivaled technical superiority. He wrote that “[p]recision, speed and unambiguity, knowledge of the files, continuity, discretion, unity, strict subordination, reduction of friction, and of material and personal cost. These are raised to the optimum point in the strictly bureaucratic administration” (Weber, 1948: 214). Bureaucracy was a rational machine.

Weber saw modern bureaucratic organizations as resting on a number of “rational” foundations. These include the existence of a “formally free” labor force; the appropriation and concentration of the physical means of production as disposable private property; the representation of share rights in
Rationality and values
organizations and property ownership; and the “rationalization” of various institutional areas such as the market, technology, and the law.

The outcome of this process of rationalization, Weber suggests, is the production of a new type of person: the specialist or technical expert. Such experts master reality by means of increasingly precise and abstract concepts. Statistics, for example, began in the nineteenth century as a form of expert codified knowledge of everyday life and death, which could inform public policy. The statistician became a paradigm of the new kind of expert, dealing with everyday things but in a way that was far removed from everyday understandings. Weber sometimes referred to the results of this process as disenchantment, meaning the process whereby all forms of magical, mystical, traditional explanation is stripped away from the world. The world stripped bare by rational analysis is always open and amenable to the calculations of technical reason. It holds no mystery. New disciplines colonize it (Clegg 1995).

Although things may be done in formally rational ways, they may also be done for substantively rational reasons. Substantive rationality refers to the reasons for rational action—its substance, its meaningfulness and value. These matters “cannot be measured in terms of formal calculation alone, but also involve a relation to the absolute values or to the content of the particular ends to which it is oriented” (Weber 1947: 185). For instance, the “absolute values” that initially sanctified capitalist activity were the religious values of Calvinism, especially the stress on “this-worldly” asceticism: the renunciation of luxury and pleasure for a simple, disciplined, and ordered life dedicated to the glory of the Calvinist God—a stern taskmaster (Weber 1976). Indirectly, suggested Weber (1976), these beliefs were responsible for the rise of early capitalism. Early Calvinists sought religious meaning in a sober and disciplined approach to life—especially in their work—rather than in Catholic religious rituals, ceremonies, and saints’ days. The application of sobriety and discipline meant that they were often successful in creating a profit. However, earning profits provoked a moral quandary: What to do with the profits made? If they gave it to the poor, in charity, they would be encouraging idle hands, the devil’s work. If they spent it on fine living, they would be damning themselves. If they could not maintain their life as a preserve of strict discipline, order, and sobriety, how could they be worthy of the Spirit of God that they ached to know moved through them? In fact, they had little choice. Luxurious consumption—the equivalents of sex, drugs, and rock ‘n’ roll—was clearly out of the question, as was the encouragement of idleness in others. Work was what they did best; it was what gave their life meaning, because their dedication and discipline in all things demonstrated their evident fitness to be servants of God. Hence, the least censorious and most religiously faithful thing that they could do was to invest any profit or surplus back into their life’s
Bureaucracy
work—into the business—in order to demonstrate their piety and readiness to be one of the elect who would join the heavenly host on judgment day.

Weber believed that ultimate values would be in inexorable decline with the development of modernity, which he defined in terms of an increasing rationalization of the world and a concomitant decline in beliefs in enchantment, magic, and fatalism. In large part this would be because the “calculability” contained in the formal rationality of the disciplines that the Puritans embraced—such as double-entry bookkeeping—would progressively replace the role of values with that of technique. As techniques increasingly achieved what previously only great value commitments could ensure, then the necessity for these values would diminish. Value-based belief systems no longer sustained the technical rationality of contemporary life. Above all, Weber believed that this technical rationality would find expression in bureaucratic organization—a form of organization that would increasingly require no meaning or ultimate values beyond those of its necessity as a ceaseless round:

Since asceticism undertook to remodel the world and to work out its ideals in the world, material goods have gained an increasing and finally an inexorable power over the lives of men [sic] as at no previous period in history. Today the spirit of religious asceticism—whether finally, who knows?—has escaped from the cage. But victorious capitalism, since it rests on mechanical foundations, needs its support no longer. . . . [T]he idea of duty in one’s calling prowls about in our lives like the ghost of dead religious beliefs.” (Weber 1976: 181–182)

Weber wrote these words at the dawn of the twentieth century, foreseeing a future in which we would strive ceaselessly in jobs and organizations that held no charm for us. Their lack of charm was denoted by the fact that they served no ultimate values but were merely machines for processing people and things in which the formal rationality of existence would be all we had to hold on to. In such a world no ultimate values would guide or anchor us; there would just be a future of unending activity in the service of prosaic, utilitarian ends—such as making money, processing data, or applying rules. Interestingly, today many people are turning their backs on these kinds of work and organizations, making more space for themselves and their families in their lives, perhaps embracing new nonmaterialist values, such as those of the green movement, and trying to apply these in their working lives—the growth of the concern with “sustainability,” for instance (see Dunphy, Griffiths, Beneviste, and Sutton (2000).

Bureaucracy is an organizational form consisting of differentiated knowledges and many different forms of expertise, with their rules and disciplines arranged not only hierarchically in regard to each other but also in parallel. If you moved through one track, in theory, you need not know anything about

---

02-Clegg.qxd  7/23/2004  2:19 PM  Page 50    (PANTONE 282 C plate)
Max Weber's fifteen dimensions of bureaucracy

1.
2.
3.
4.
5.
6.
7.
8.
9.
10.
11.
how things were done in the other tracks. Whether the bureaucracy was a public or private sector organization would be largely immaterial. Private ownership might enable you to control the revenue stream, but day-to-day control would, however, be done through the intermediation of experts. And expertise is always fragmented.

The notion of a career is essential to the practice of bureaucracy, but progression through the ranks could never bring you close to overall mastery. There is differentiation of both expertise and careers.

At the heart of bureaucracy’s moral purpose is a belief in the legitimacy of its protocols, its personnel, and its policies. Given these beliefs, and serving to reproduce them, there exists a specific form of administration and organization, which Weber defined in terms of fifteen major characteristics.

Power belongs to an office and is not a function of the office holder. Power relations within the organization structure have a distinct authority configuration, specified by the rules of the organization. Because powers are exercised in terms of the rules of office rather than the person, organizational action is impersonal.

Disciplinary systems of knowledge, either professionally or organizationally formulated, rather than idiosyncratic beliefs, frame organizational action.

The rules tend to be formally codified.

These rules are contained in files of written documents that, based on precedent and abstract rule, serve as standards for organizational action.

These rules specify tasks that are specific, distinct, and done by different formal categories of personnel who specialize in these tasks and not in others. These official tasks would be organized on a continuous regulated basis in order to ensure the smooth flow of work between the discontinuous elements in its organization. Thus, there is a tendency toward specialization.

There is a sharp boundary between what is bureaucratic action and what is particularistic action by personnel, defining the limits of legitimacy.

The functional separation of tasks means that personnel must have authority and sanction available to them commensurate with their duties. Thus, organizations exhibit an authority structure.

Because tasks are functionally separated, and because the personnel charged with each function have precisely delegated powers, there is a tendency toward hierarchy.

The delegation of powers is expressed in terms of duties, rights, obligations, and responsibilities. Thus, organizational relationships tend to have a precise contract basis.
12.

13.

14.

15.

Institutionalizing rationalities
Qualities required for organization positions are increasingly measured in terms of formal credentials. Because different positions in the hierarchy of offices require different credentials for admission, there is a career structure in which promotion is possible either by seniority or by merit of service by individuals with similar credentials. Different positions in the hierarchy are differentially paid and otherwise stratified. Communication, coordination, and control are centralized in the organization.

There are a limited number of explanations as to why so many organizations adopted the bureaucratic form. One explanation would stress biological necessity: It might be genetic to create and order life according to hierarchies, and thus unavoidable: something imprinted in the species way of doing things. Another explanation might stress efficiency: It might be functional, simply the one best way to organize large-scale activities under uncertain conditions. Finally, it might be that bureaucracy has become conventional, that we find it normal to mimic the bureaucratic form because it has become so widely institutionalized. The reasons for its institutionalization (that it was associated with actions widely admired) have faded with time, such that it now seems natural, normal, and necessary. The last argument is now widely accepted and is known as institutional theory.

Much modern institutional theory was developed from Berger and Luckmann’s (1967) adaptation of some elements of Weber’s social action approach into a generic “social constructionist” perspective. Reality, they say, is socially constructed. This sounds more confusing than it actually is. Just think of yourself as a student, enrolled in a first-year subject called Management. As a student, you are assigned a number, and then you have to enroll. The process of enrolling in a subject means choosing a code, standing in line on a particular day between 8 A.M. and 12 noon, then attending classes on a regular basis, passing assignments, until you either accumulate enough credits to graduate or pass final exams. You will not do these things just as you please but through skillful work in constructing answers to questions that are acceptably “academic.” You must construct an academic persona and reality. All these things shape your reality as a student, but none of them are facts of nature—they do not have to be designed the way they actually are. At a certain point in history, universities simply decided to organize higher education in such a way. Thus, much of what we take for granted as reality is, in fact, socially constructed.
Isomorphism
Institutional theorists puzzle about why, for instance, almost all public sector organizations in the Western world apply such similar models. To put it a bit more abstractly, what is at issue is the process by which actions are repeated and given similar meaning by oneself and others, which they define as institutionalization. Meyer and Rowan (2002) argued that modern societies consist of many institutionalized rules, providing a framework for the creation and elaboration of formal organizations. Many of these rules are rationalized myths that are widely believed but rarely if ever tested. They originate and are sustained through public opinion, the educational system, laws, or other institutional forms. Thus, many of the factors shaping management and organization are not based on efficiency or effectiveness but on social and cultural pressures to conform to already legitimated practices. For instance, there is a lot of pressure on organizations to adapt to new tools invented by fashionable management gurus. Buzzwords such as TQM, Kaizen, BPR, and so on are by no means proven to lead to success but are concepts that challenge organizations, since, if they don’t apply them (and pay large fees to not always so great consultants who are implementing them), they are seen as inert, reactive, and increasingly anachronistic. Institutional theory analyzes the impact of this pressure on organizations and management decisions.

A leading example of the institutional focus is the work of DiMaggio and Powell (2002), who explain why organizations adopt similar forms and practices. They termed this process of copying “isomorphism”; the effect of institutional pressures is to constrain an organization’s choice of structures to a set of arrangements that are acceptable within its field. There are three main mechanisms of transmission of isomorphism: normative, coercive, and mimetic forms. Phenomena can become widespread because they are regarded as culturally positive norms, such as teamwork. Not meeting the expectations of what is regarded as a culturally positive norm would be regarded as either stupid or deviant. Where the adoption of norms is forced by powerful agencies, such as the state, this is coercive isomorphism, which we associate with legal requirements. As an example, think why it is the case that all commercial airplanes have the same little speech and demonstration of safety features before you take off (including pointing out a whistle with which to attract attention in the unlikely event of an accident!). Because international aviation law says they must do so, because they are in breach of the law if they do not perform the ritual, they do it so as to be seen to observe the law. The state coercively shapes institutions by enforcing certain forms of legislation. For instance, in most advanced societies, there are usually legal rules outlawing discrimination on various grounds that mandate organizations to collect data and present profiles of their activities. They do so to show the ways the organizations are in accord with these laws. Hence, organizations develop an equal employment opportunity
officer and programs—not necessarily because they want to or they think it is a good idea to do so but because they are obliged, by law, to do so.

Sometimes organizations and their managers desire, consciously, to be similar to a particularly highly regarded exemplar, and when they copy it in this way, it is a case of mimetic isomorphism. In this type of action, something is regarded as so normatively attractive that it is desired to be like it because being similar easily defines what is proper, correct, and legitimate. Think of the prestige of a business school such as Harvard, whose approach is admired around the world. Or ask yourself the question, Why do all nation-states have a flag, an anthem, and a head of state? Anderson (1982) answers this question in terms of institutional theory by providing a fascinating account of the spread of the idea of the nation-state as an organizational form, with its appropriate modes of style, dress, and address, almost everywhere during the nineteenth century. The idea of the state continued to shape post-colonial policy after World War II when decolonizing territories were imagined into existence as if they were nation-states, whereas, often, there was precious little in the way of precedents to suggest that they ever had been. The legitimacy of the nation-state as the appropriate organizational form—even for tiny territories with a few thousand people or vast tracts of land containing tribal and linguistically distinct, defined groups—was so overwhelming that no other organizational form could be considered. Once produced, the state becomes subject to the normal pressures of economic growth and recession, demographic changes, civil war, policies of structural adjustment, and struggles to control it. Sometimes the state in question succeeds by surviving these struggles. For instance, if we think about the long period from the U.S. Civil War to the civil rights struggles of the post-1960s, it is clear that although there have been major struggles to control and use the state for different and contradictory purposes, through it all something that is recognizable as the state of the United States has survived intact. Sometimes states fail, as was the case in Rwanda and the neighboring Great Lakes Region of Africa during its postcolonial history, most notably in the 1990s (Jefremovas 2002). What is interesting is that the failing state is never held as the normative model. When states fail, rather than weakening the normative ideal, they strengthen it: that is how “normative isomorphism” works—as an ideal metric. Failing the isomorphic test simply becomes further fuel for endorsing the normative model more strongly.

Mimetic isomorphism is demonstrated when a particular organizational practice, such as professors and teachers dressing up in academic gowns and making a procession as a part of the ceremony of awarding a degree to new graduates, becomes widely diffused because people identify it as a central part of an institution. We know of no university that has dispensed with this ceremony for, as vice chancellors have frequently been known to remark, such a ceremony is symbolically representative of the university. So the ritual is widely adopted and diffused even in the newest universities. Stewart, coauthor
of this book, once worked somewhere in which many of the students who did the MBA were from overseas countries. Often, they had returned home prior to being awarded their degrees in order to return to careers and families and friends. Hence, they missed the ceremony and its photo opportunities, but nonetheless they clamored for an opportunity to gain these mementos. The problem was that they did not want to have the expense of flying back to Australia from India or China, for instance, to get their pictures taken. Consequently, the university instituted a predegree ceremony, where a senior university dignitary would speak some formal words, during which the students would be told that this was not a degree ceremony, and then hand them something that was not a degree certificate but looked just like one. The students wore gowns that they were not yet entitled to wear—as they had not graduated—but the all-important pictures could be taken “proving” that they had been at the university and had been “awarded” their “degree.” The pictures proved it! Thus, in this way their social reality was constructed. They had the pictures to prove they were graduates of, and belonged to, a specific university, with its appropriate ceremonies, rituals, and photo opportunities, even though none of it had really happened.

For early modern management theorists such as Fayol (1949: 181), “the soundness and good working order of the body corporate depend on a certain number of conditions termed indiscriminately, principles, laws, rules.” Such principles relate to that unity of direction and command centrally exercised by (top) management. These principles, says Fayol, belong “to the natural order; this turns on the fact that in every organism, animal or social, sensations converge towards the brain or directive part, and from the brain or directive part orders are sent out which set parts of the organism in movement” (Fayol 1949: 193). Fayol clearly makes an argument by genetic extension; the organization is a giant organism, similar to the human body writ large, in which some people will have the function of “brain” and others the function of “hands.” These ordinary members of the organization are conceived as if they were a body of limbs and organs controlled and directed by the managerial brain. In practice, however, such metaphor-laden language becomes troublingly literal, as, for example, when a desperate Henry Ford once asked why he always got stuck with the whole person rather than with just a pair of hands. Hands were what he hired, but troublesome bodies with querulous minds were what he so often got (see also pp. 373–374). The metaphorical body corporate easily reduces to the literal body of the worker who will only be regarded as exemplary if he or she behaves as a puppet to the commands issued through the managerial pulling of strings.
Postmodern rationalities
Decision making

Image 2.4  Hands or brain at work?
Theorists like Fayol and industrialists such as Henry Ford were not singularly unusual in their stress on the well-oiled worker. Their sentiments were shared by that father of modern management, Frederick Winslow Taylor, when he insisted that “all of the planning which under the old system was done by the workman, as a result of his personal experience, must out of necessity under the new system be done by management” (Taylor 1911/1967: 38). Here, decision making is taken to be the domain of the superior intellect of the manager such that he (usually) can deploy a scientific rationality in order to find the one best way proposed by Taylor’s approach. Management makes
decisions in such a way that the managerial brain, in a mixed metaphor, is both at the center and the top of the organization. As Taylor (1911/1967: 59) wrote of one of his favorite workers:

Now one of the very first requirements for a man who is fit to handle pig iron as a regular occupation is that he shall be so stupid and so phlegmatic that he more nearly resembles in his mental make-up the ox than any other type. . . . [T]he workman who is best suited to handling pig iron is unable to understand the real science of doing this class of work. He is so stupid that the word “percentage” has no meaning to him, and he must consequently be trained by a man more intelligent than himself into the habit of working in accordance with the laws of this science before he can be successful.

Indeed, by defining workers as brainless and unthinking hands following orders determined elsewhere, the notion of decision making became both elitist and rational. Rational in that it must lead to optimum decisions because it is based, in every sense of the word, on superior intelligence, and rational also in that it applies scientific method, “the hallmark of superior intelligence, in order to result in the optimal achievement of desired organizational ends.” Summarizing, this concept of management can be illustrated with the image of organizations as hierarchies: The more or less inert body (the structure) of the organization has to have its “hands” informed and directed (and, if necessary, corrected) by its “head,” the top management. Management develops the vision that tells the organization where to go, the strategic intent that gives organization its direction (see also pp. 442). Just think of everyday language—it is in headquarters where decisions are made, by heads of departments, which the organization is supposed to follow.

Decision making expresses this concept of rationality most precisely. Decision making is understood as management’s task par excellence—the bureaucratic cogito (the thinking brain) whose decisions the corporate body should follow. Management makes decisions on strategic directions, action plans to implement them, and forms of control to evaluate their effect. Usually, the model of decision making is described as a perfectly well-organized, rational, and logical process. First, the problem is defined. Second, all the relevant information that leads to an optimal solution is collected. Third, reviewing the data, management (perhaps with the help of technocratic “experts”) develops several possible solutions. Fourth, evaluating the possible solutions carefully, management makes a decision regarding the optimal solution. Fifth, this solution is implemented in a top-down approach and evaluated constantly by management.

Such constant processes of rational decision making, supported by the latest IT equipment and an army of analysts and consultants, are meant constantly and incrementally to refine and improve an organization’s processes and products.
Raising doubts . . .

Image 2.5  \textit{Rational planning?}
The problem of recalcitrant hands is solved by turning them into disciplined and reflexive extensions of the corporate body, able to exercise discretion, but in corporately prescribed ways.

Although still in powerful circulation in today’s organizations, the model of managerial decision making discussed above has been challenged by various contributions in management and organization theory. Almost half a century ago, James March and Herbert Simon (1958) doubted whether decision makers really look for optimal solutions. They suggested that they look for “satisficing” solutions. Because of the limited capacity of human information processing, no
one could really consider all solutions and then decide which one was the
best one—not even a top manager. But top managers, because of their wide
experiences, have a raft of comparable cases to draw on for most decision
situations, and on the basis of that limited search are able to be rational within
the bounds of their own experiences. However, having more experience, these
bounds are less constraining than would be the case were lower-order members
to do the deciding. In organizational life, a careful analysis of all available
information would be impossibly time-consuming, given that time (and moti-
vation for such use of time) is a scarce resource. It is for this reason that satsis-
factory decisions will be made rather than optimal ones. Simon and March saw
people as having “bounded rationality.” By this they meant to establish a dis-
tinction with the conception of economic rationalism that was inherent to the
orthodox views of economics. The economic view of rationality assumed that
the person would make rational decisions based on perfect knowledge about
the nature of the phenomenon. This perfect knowledge would be contained in
what economists call “price signals,” because all that you would need to know
about broadly similar goods in perfectly competitive markets is how much
they cost. A rational person would always buy the cheapest product, all other
things being constant. This would be the optimal decision. But in complex
organizations, Simon and March argued, decision makers work under con-
straints that make optimal decisions impossible. They have imperfect knowl-
edge because there is insufficient time to collect all the data they need, their
information processing capacities are subject to cognitive limitations, they are
not sure what they need to know, and so on. The result is that rationality is
“bounded” and decision makers cannot optimize but must “satisfice”—make
the best decisions that they can—those that are most satisfactory, based on the
information available there and then.

Cohen, March, and Olsen (1972) pushed March and Simon’s critique one
step further, announcing that the decision-making process in organizations
is organized according to the logic of what they call the garbage can. As
they argue provocatively, decisions are made when solutions, problems,
participants, and choices flow around and coincide at a certain point. Like
garbage in a can, these adjacencies are often purely random. Yesterday’s papers end up stuck to today’s dirty diapers just as
downsizing attaches itself to profit forecasts. William Starbuck
(1983), to mention a third critical spirit, turned this logic com-
pletely upside down and argued that organizations are not so
much problem solvers as action generators. Instead of analyz-
ing and deciding rationally how to solve problems, organizations spend most of their time generating problems to which
they already have the solutions. It’s much more economical
that way. They know how to do what they will do, so all
they have to do is work out why they will do it. Just think of any consulting
business—its solutions to whatever problems occur will be what it

Decisions are made when
solutions, problems,
participants, and choices
flow around and coincide
at a certain point.
... and postmodern rationalities
currently offers. Products such as TQM, BPR, and so on are solutions to almost every problem, and thus it is not so much the problem that drives the solution but the solution already at hand that is waiting to be applied to a variety of different issues.

It is exactly this criticism that is nicely packaged and successfully branded under the label of postmodernism. As Martin Parker (1992: 3) argues, modernism is essentially the belief in rationality:

Modernism is described as having elevated a faith in reason to a level at which it becomes equated with progress. The world is seen as a system, one that comes increasingly under human control as our knowledge of it increases. The common terms for this kind of belief system are positivism, empiricism and science. All share a faith in the power of the mind to understand nature; that which is “out there.”...[At the core of versions of modernism] is a rationalism that is unchallengeable and a faith that it is ultimately possible to communicate the results of enquiry to other rational beings. In contrast, the postmodernist suggests that this is a form of intellectual imperialism that ignores the fundamental uncontrollability of meaning. The “out there” is constructed by our discursive conceptions of it and these conceptions are collectively sustained and continually renegotiated in the process of making sense.

Put simply, modernism is the belief in progress through the rigorous application of rationality to different arenas of life—regardless of whether it is mathematics, organization of people, or decision making that shapes the future of the community. The belief in progress is the essence of early management theory, even up to much theory today. However, criticisms by Simon, March, Cohen, Olsen, and Weick prepared the ground for postmodernism with its central idea of substituting the concept of rationalities for that of a singular rationality.

What a group of French philosophers and writers, who have been labeled as postmodernists, show is that commonly accepted concepts of rationality are, in fact, just one possible concept, and that there are many other forms of rationality lurking underneath the smooth surface of textbook knowledge and scientific jargon. For instance, Jean-François Lyotard emphasized that we make sense of the world through the use of narratives. In modern times, the dominant narrative was the narrative of science. As we saw in Chapter 1, Taylor and the engineering movement around 1900 was an expression of this belief. However, as Lyotard argues, through this one dominant story we forget and actively repress other potential narratives. As each of these narratives is constituted through different rationalities, we too easily find ourselves in a unified, homogenous universe. But instead of keeping on writing (which we have done elsewhere—see Clegg and Kornberger 2003), an example can illustrate the point more easily.
CRITICAL ISSUES: RULES AND RATIONALITIES

Different perspectives, different rationalities
Martin, coauthor of this book, visited the Genolian caves, a cave system hundreds of thousands of years old in the Blue Mountains, near Sydney. Being interested in the history of the caves, he joined a guided tour. What he heard in the scientific treatise that followed in the next two hours was hardly exciting. The guide started a monologue on stalagmites and how they are formed over many million years, and how earth movements over the last couple of million years—and microorganisms kept hidden deep inside in the waterholes in the cave, and so forth—made them possible. With Lyotard, this becomes understandable. What the guide did (and what probably most visitors expect from a guide) was to use the scientific template to make sense of what one can see in the caves. Using this dominant rationality, the caves turned almost into a lab, a showcase of how much the guide knew. But a whole other reality got buried. The guide could also have told stories about indigenous people and the meaning of the cave for them, about the changes of use of the cave over the years, about the tragedies witnessed and comedies hosted over the centuries, about the local people and how they used the caves, about myths, secrets, and stories that evolved around the cave. In short, the guide could have told many different stories about the cave, and the scientific story would have been just one. All these stories enact different rationalities, none per se is superior to the other. But through the domination of one story—the story of science—all the other stories get subordinated.

Postmodernism tries to criticize (deconstruct, as they say) the dominant story and to re-find those other stories marginalized by the dominant mode of thinking. Normally, these marginal accounts are branded as “irrational,” but as we have seen with the critique of rational decision making, rationality in organizations is in itself just a form of pattern making. And a pattern does not necessarily have to be a variation on just one theme to display rationality. Look at the two images on page 62 and think about this: Are they both rational?

The early history of management involved attempts at making work visible and transparent and its management legitimate. The Panopticon provided a simulacrum (an imagined copy of a presumed original) of an all-seeing capacity by constituting the overseen in a relation where they could never be sure that they were not being held visibly to account by those who oversaw. The founders drew on different disciplines to legitimate management’s claims to managerial prerogative and superior authority. Taylor drew on engineering, Fayol on his experience in mining, Mayo on psychological
Image 2.6  Rational patterns?
counseling after World War I, and Barnard on the experience of executive leadership after the managerial revolution. Of the founding theorists, only Follett seemed to sense the necessity of combating managerial elitism and arbitrary authority with a real commitment to and stress on democracy and its accountabilities.

Bureaucracy’s formulation of explicit rules of conduct raised the possibility of decisions being made about the conformance or nonconformance of those actions that were enacted in their name. Those who either implemented or internalized the rules could be seen to have done so more or less correctly—they could be held to account in terms of the rules. At the time that the bureaucratic model began to emerge in the United States as an appropriate model for organizational management, there was considerable concentration of power. In such a setting, rules that limited and framed unfettered prerogative could be an essential element of a liberal polity, which was a central aspect of the message that Max Weber sought to instill in students of bureaucracy. Value-neutral rules, applied technically, without fear or favor, are a bulwark against prejudice, discrimination, and the concentration of power, as well as being rational because they remain the same irrespective of context or time. They have a strongly moral quality. Of course, as we shall see, Weber was at pains to stress that the rationality of technically and legally defined bureaucracy was just one mode of rationality among several. Its success depended on its domination.

In the original German, one of Weber’s central concepts was herrschaft, which literally translates as “domination.” For Weber, domination occurs in organizations when lower-order members are obliged to obey commands from those above them in the hierarchy. However, where domination was tempered by legitimacy, then, almost as alchemy, the base metal of domination could be transformed into the pure gold of authority, legitimated by principles and rules that were widely accepted. At the end of the day, that was bureaucracy’s promise. It could cool out the politics of organizations, because if its formal rules held sway, only those who had legitimately striven, worked with, and obeyed the rules would advance up its hierarchy. It would be domination accorded legitimacy because it was based on transparent, meritocratic, and accountable norms.

Transparent, meritocratic, and accountable norms were easier to establish in a purely public bureaucracy than a private one, where familial wealth and inheritance might skew the upper echelons of domination, but they do provide an ideal that could be aspired to, even in shareholder-based organizations. The principal owners of capital—individual shareholders, institutions, and some employees, such as the top managers themselves—could at least expect those agents who were managing these assets to be accountable in terms of their formal authority and all it entailed. Legitimacy through rules thus sought to resolve a tricky problem: how to align the interests of principals—whether ministers or shareholders—and agents—the managers. Weber also addressed
Formal and substantive rationality
this issue in terms of the relation between what the formal rules authorized and what actually occurred, between what organizations might formally record as rational and what actual employee actions displayed as being substantively rational.

The second chapter of Max Weber’s (1978) Economy and Society deals with the relationship between formal and substantive rationality. For Weber, economic action is formally rational to the extent that it rests on the best technically possible practice of quantitative calculation or accounting. By contrast, substantive rationality denotes a concept of goal-oriented action where whatever the goals may be will vary according to the context within which they work. Hence, they are indivisible from the real substance of specific settings. For instance, economic action may be substantively rational to the extent that it is motivated and assessed according to an ultimate goal, even while it is technically irrational. Family businesses often fit this case. Family firms know what it would be technically rational to do, such as raising capital by diluting family equity, but the preservation of the family holdings, even if it means less efficiency, growth, and profits, is held in higher esteem. Such a substantive orientation, Weber notes from the start, may lead the actor to see formal, quantitative calculation as unimportant, or even inimical to the achievement of ultimate ends.

Put simply, people will not necessarily be instrumentally rational managers, applying means-end rationality to the calculation of an economic bottom line, unless either they are in structured situations in which they have no choice other than to achieve this end, or they really want to achieve this end. Where their preferences are for other ends, such as the maintenance of tradition or the family business under family control or the design and creation of something that they love dearly, even when it is economically irrational in instrumental terms to do so, they orient themselves to other forms of rationality, such as affective or traditional conceptions of rationality. Think of an entrepreneur who invests a fortune in a football team with which he or she has a sentimental affinity, even when the team remains a bunch of expensive losers.

The more the world approximates to a formally rationalized ideal of capitalist accounting in which ultimate ends hardly figure, the more chance that rationality will be wholly instrumental, says Weber (1978: 165). In the characteristic form of a modern market economy, defined as “a complete network of exchange contracts in deliberate planned acquisitions of powers of control and disposal” (Weber 1978: 67), organizations are most likely to be instrumentally rational. The formal categories of a purely accounting notion of efficiency are the dominant element shaping organization design and top management
judgments. In such a situation, a specific cultural value—efficiency, defined in terms of the categories of a particular form of knowledge—is raised to the status of an “ultimate value” to be culturally prized for its own sake, as an end in itself. The organizations that exist under these conditions do so because, in all probability, “certain persons will act in such a way as to carry out the order governing the organization” (Weber 1978: 49). In other words, organization is premised on an expectation of trust in the obedience of others. Trust and obedience function as resources in creating effectively functioning organization (as some central contributions by Fox 1974, Gambetta 1988, Granovetter 2002, Kramer 2003, and Sievers 2003 argue).

Weber (1978: 108) isolates three circumstances where “irrationality” can arise from the instrumental rationality of capital accounting as the perfect expression of means-end relations. First, where there are autonomous and antagonistic enterprises, producing only according to the criterion of arbitrarily distributed demand. Here what people want gets produced. It may be what they want, but it is not necessarily what they need. For instance, high-cholesterol, sweet, salt-ridden junk food. Lots of people want to eat it despite its adverse effects on their diet, health, and weight. Second, capital accounting presupposes absolute property rights over capital goods and a purely commercial orientation of management, which favors speculative behavior. Capital accounting is technically most optimal under ideal economic-liberal conditions, where there are unfettered proprietorial prerogatives and absolute market freedom. Conditions supporting this will include free labor markets, complete freedom of contract, mechanically rational technology, a formally rational administration and legal system, and a complete divorce between enterprise and household organization. Weber singles out the exclusion of workers from control over capital ownership as well as from its returns, together with their subordination to entrepreneurs, as a specific source of substantive irrationality (Weber 1978; also Clegg, Boreham, and Dow 1986: 60–61). Workers are expected to exert themselves for the ultimate value of the capital owners—the shareholders—who will, in the appropriate circumstances, have no compunction about “letting them go” if it will boost the share price.

The third circumstance in which Weber sees formal rationality being compromised is where economic organization becomes prey to competing and contradictory calculations. Such a situation can occur when share ownership becomes the subject of a takeover battle. Where control is concentrated in proprietorial interests, credit and financial institutions, acting as predators, can acquire the issued share capital for speculative purposes. Either way, the outside interests pursue their own business interest, “often foreign to those of the organisation as such” and “not primarily oriented to the long-term profitability of the enterprise” (Weber 1978: 139; also see the discussion in Clegg et al. 1986: 61–62). The implications become acute when such interests “consider their control over the plant and capital goods of the enterprise . . . not
as a permanent investment, but as a means of making a purely short-run speculative profit” (Weber 1978: 140). Weber recognized that rationality was not purely instrumental. Rather, people rationalized their own versions of rationality based upon contextual pressures and interests. Sometimes these would reward short-term rather than long-term rationality.

Despite being forensically analytic in his appreciation, Weber saw that bureaucracy had several positive attributes with much to recommend it. Organizations constructed in this way could be sources of satisfaction for those working within them. They were fairly predictable, and they offered opportunities for careers and for individual members to specialize in what they most enjoyed and to develop these skills. The benefits of bureaucracy can be enumerated:

- It limits arbitrary power and privilege. To the extent that the bureaucracy treats you as merely a case, the more you could expect to be treated according to precedents established by rules, rather than the whim of an officer.
- You have a right of appeal in a bureaucracy. If the application of rules to cases were illegitimate, then you have rational recourse to an appeal mechanism.
- None were above the law, none could escape rules, and every office was accountable. In short, bureaucracy was a bulwark of civil liberty.

A cornerstone of bureaucracy for Weber was that it operated “without regard for persons.” Reading this phrase for the first time may resonate with what you already know about bureaucracy: that it is heartless, soulless, and cruel. It doesn’t have a human face—it makes everybody a number. But Weber was arguing something far more fundamental. Essentially, Weber was saying that it doesn’t matter if you are black or white, Muslim or Jew, gay or straight, rich or poor. It doesn’t matter who or what you are. You are entitled to be judged not on the prejudices of the community or the person applying a rule but strictly according to the rules, without regard for the specificities of whatever might be your identity.

Impersonal rules without regard for persons are a fundamental bulwark of a decent, civil, liberal society. In the service of impersonal rules, devised without prejudice for specific categories of persons (an example of such prejudice would have been the apartheid regime’s notorious “Pass Laws” in the era prior to Nelson Mandela assuming the presidency of the new Republic of South Africa), the impersonality of bureaucracy applied properly is a guarantee of civil rights and liberty.
In praise of bureaucracy
THE FINE PRINT: WEBER, HIS HEIRS, AND CONSEQUENCES

Dominant rationality or plural rationalities?
In bureaucracy, if everyone was subject to abstract, impersonal rules, this quality could be something menacing rather than comforting, something to dread rather than celebrate for its guarantee of liberal freedom, if one did not understand the rules being applied or where the rules were not transparent, serving not liberty, equality, and fraternity but tyranny. As Kafka (1956) imagined modern bureaucracies in *The Trial*, they were inscrutable and unknowing to those who became caught up in their machinations, and obsessive in their detail for those who dispatched their business—or those parts of it that they were privy to.

It was not only novelists such as Kafka who voiced reservations about bureaucracy. Weber, too, had his doubts about this new instrument. Because of its “purely technical superiority” as a mechanism for accomplishing complex tasks, bureaucracy seemed almost irresistible, Weber thought, and this irresistibility alarmed him. Rational calculation had become a monstrous discipline. Everything seemingly had to be put through a calculus, irrespective of other values or pleasures. It was a necessary and unavoidable feature of organizing in the modern world. If you want modernity, suggests Weber, then you have to have bureaucracy. The two go together. Thus, while Weber admired the achievements of bureaucracy greatly, he was also pessimistic about their long-term impact. On the one hand, bureaucracies would free people from arbitrary rule by powerful patrimonial leaders—those who personally owned the instruments and offices of rule. They would do this because they were based on rational legality—the rule of law contained in the files that defined practice in the bureaus. On the other hand, however, they would create an “iron cage of bondage,” a hierarchy of offices that interlocked and intermeshed, through whose intricacies you might seek to move, with the best hope for your future being that you would shift from being a small cog in the machine to one that was slightly bigger, in a slow but steady progression. Nonetheless, most modern organizations for most of the twentieth century were based on some variant or other of these principles. We were, Weber thought, destined to live inside the metaphorical iron cage.

Weber’s analysis took emergent terms and ideas that were current in actual bureaucracies at the time when he was writing and used them as the basis for theoretical construction. They were a reconstruction of ordinary language in use into the ideal type. A certain normative slippage occurs in this process, because he is using ordinary language terms, as defined by members of organizations, to describe what it is that these members do. The members in question were those of the Prussian and German bureaucracies of the state and
Image 2.7  Iron cages
Engineering rationality
military. They were bounded by a ferociously strong sense of duty and conformance in service to the state. Generalizing from this case, it might appear as if the norms of organizations are invariably shaped by a singular rationality rather than by rationalities: a dominant rather than competing sense of what “should” be done rather than a grasp of the multiple rationalities that might be in play, even in contest, in a specific situation. In the hands of subsequent approaches less historically subtle and sensitive than those of Weber, it was hardly surprising that a narrow focus on bureaucracy as what should happen was the prevalent conception (see also Chapters 3 and 4). It was a perspective that became, ultimately, much more compatible with an instrumental concern with “efficiency” overshadowing the cultural, historical, institutional, political, and economic analysis of the market that Weber (1978) pioneered. It also became an analysis that presumed the security of that which it also investigated: rationality. Rationality became identified with top managerial prerogative and irrationality with deviations from it. Explicitly, the management analysts who followed this route were taking sides in what were highly political games (see also pp. 162–165).

Taylor and the engineers argued that if engineering knowledge was applied appropriately, then it would not only legitimate the manager as a new class of highly skilled employee, who planned and designed rationally, but would also justify the entire structures of control in which they were inserted. It would make these structures authoritative—for what could be a better basis for authority in the New World than the legitimacy of science? Engineering rationality replaced older legitimations grounded in the Protestant ethic or ideas about the survival of the fittest, flourishing as Social Darwinism. The last twenty years of the nineteenth century had seen the rise of vast empires of agglomerated enterprise in key areas such as steel, building the fortunes of entrepreneurs such as Andrew Carnegie and his contemporaries, men like John D. Rockefeller and Andrew Mellon. The emergence of these vast financial empires made traditional, religious, and moral justifications for property ownership seem quite hollow when confronted with corrupt monopoly power. And this monopoly was such that it made nonsense of any ethic of ruthless competition and the survival of the fittest. It became a central tenet of progressive political thought that the power of the large corporations should be curbed somehow, and the new science of management seemed one way to do it. Emerging out of the institutional sponsorship of the American Society of Mechanical Engineers, scientific management was able to position itself as a rational and irrefutable bastion against the privileges that ownership allowed. Installing scientific management, it was claimed, would eradicate arbitrary and socially destructive domination, tame it, and make it authority. It would make a certain model of hierarchy and management legitimate and
The rational and “the other”: keeping chaos at bay
not just the expression of a dilettante or capricious will. It was based, protagonists said, on facts and technical analysis of the organizational situation. It was grounded in functional analysis of necessity rather than the random exercise of will by an overseer or master. It would fit the person to the job, after the job had first been scientifically analyzed. Thus, people were not to be slotted into their positions on the basis of their class, their history, their destiny—but their aptitudes and abilities. Individual responsibilities could and would match what was functionally required. Above all, management would be the harbinger and hallmark of efficiency. With efficiency installed, all would benefit in a commonwealth of enterprise, whether toilers or shareholders. Indeed, that rewards should flow to each according to the value of his or her inputs was a dogma of the new rationalism. And the rationalism had a cadre who would ensure its probity. The engineers become managers who would ensure the visibility, accountability—in a word, the rationality—of the new hierarchies of merit, function, and efficiency.

Not all of this panegyric to engineering rationality was swallowed without some bile. Unbeknownst to these early management writers, one of the most brilliant minds of the twentieth century, Max Weber, had already wrestled with these questions and come up with an analysis whose insights far exceeded their own. But as he had published only in German, few English writers knew. However, there were other writers in English who had been widely read by the 1930s. Clearly, writers such as Follett and those who came after her, including Mayo and Barnard, found an analysis composed purely in terms of engineering rationality somewhat incomplete. Taylor’s science had disastrous unanticipated consequences: It destroyed democratic accountability, said Follett. For Mayo, it invited resistance and an excess of individualism, while Barnard couldn’t see how following engineering really allowed executives to exercise leadership.

Although they might oppose narrow engineering conceptions of rationality, the second-generation theorists did not want to throw out the baby of rationality per se with the bathwater soiled by the engineers. With the engineers, they could accept that if rationality was predicated on instrumental control, then chaos threatened where control of the instruments, whether human or machine, could not be achieved. Questions of rationality, once established in an instrumental mode, were to remain central to emerging management and organization theory. If rationality dealt with the predictable, the systematic, and the known, then opposed to it was the unpredictable, the chaotic, and the uncertain. Indeed, in subsequent theoretical constructions, after the emergence of the theory of the firm (Cyert and March 1963; March and Simon 1958) and especially after the work of James D. Thompson (1967), uncertainty took on an almost metaphysical quality in the theory of management and organizations.
From rationality to rationalities
It was the evil to be opposed, the anxiety to be tamed, and the phenomenon to be reduced. Organizations were to become thought of as systems erected against an uncertain world. Organizations were forms of rationality that minimized the dangerous chances of irrational surprise. Central to the new rationality were the appropriate rules defining the function, responsibility, and authority of the new managerial cadre and those they managed. Their task was systematically to extend rationality, minimize uncertainty, and reproduce those designs that best achieved these outcomes. Calibrating relations that could achieve this end was precisely management’s peculiar genius, as scientific management’s rationalist foundations sought to establish.

Rationality can be whatever it is defined as being by those who have the authoritative resources to define it. That this is the case is a central claim of this book, integrating knowledge with power. The assumed rationality of organization operates as a disciplinary mechanism, which can be used by those who occupy positions of authority. They do so to judge, normatively, the actions of those other members of the organization expected to be using the same constructs in their orientation to action. Hence, the rationality of organizations, when used as a judgmental concept, already presumes the possibility of plural and competing rationalities. There will usually be a plural and potentially conflicting use of rationalities at work in any actual organization setting because there will be a “negotiable relationship between policy and politics” (Bittner 2002: 85). In other words, there is many a slip twixt the definition and the implementation of what is rational.

Organizations are an arena that individuals and other collective interests attempt to dominate in concert with others. Their attempts at capture involve coalitions competitively bargaining to control organizational resources and positions, to enforce their ends on the organization. These may be organized collectively through share raids by other firms, or they may be individual or shared attempts to gain power internally. Organizationally dominant coalitions, whether internal or external, appropriate power through various forms of strategy. Different coalitions struggle to constitute the organization in terms that represent their interests, bargaining with whatever resources they can constitute as strategic. More or less abstract cultural values can be used, such as the pursuit of “innovation,” “profit,” or even “fun,” which become the basis for organizationally situated actions and vocabularies of motive (Mills 2002) as the public complexes of reasons through which we might seek to justify organizational action. (In the British TV comedy The Office, for instance, “fun” is a dominant value through which the characters act out their aggressions and hostilities, as well as their attractions, to each other. Enjoying business is a common ideology of highly competitive teams, often expressed in terms of sporting team metaphors.)
What survives organizationally may not be most efficient but survives because at some time in the past of the organization it became instilled with value.

What survives organizationally may not be most efficient but survives because at some time in the past of the organization it became instilled with value. Things, forms, and practices may be valued for and in themselves, irrespective of their contribution to the efficiency of the organization. Historically, one might think of the place that the Latin mass once had in the Roman Catholic Church, or the role that the confessional still plays. They are constitutive parts of a ceremonial fabric with an explicable past cultural context rather than norms established for efficiency purposes.

Organizations are constructions, concocted out of whatever knowledge their members deem salient in specific locales. What is considered appropriate in a specific locale is subject to shifting and ever more global definition (see also pp. 478–482), in which the limits of possibility are most likely to be purely cultural and institutional. For instance, research by Child and Kieser (1979) found that a sample of German organizations was consistently more centralized than was a comparable sample of British firms, which they put down to local cultural difference. These proved to be even more important than the impact of models of best practice retailed by international consulting agencies. These models did not produce convergence by eroding the value basis of a German cultural predisposition for more centralized control. Such findings, of a “societal effect,” are widely established (see Maurice and Sorge 2002).

The structure of capital markets, interest rate regimes, and accounting conventions all provide specific institutional frameworks within which managerial judgment forms. While the trick of a successful management team is to achieve appropriate consensus, such consensus may well form around inadequate strategies, or subsequently come to be defined as such when a new rational metric is introduced. Think of what happens when the opposition wins an election. The new government will reconceptualize all the policies of the recent past as errors and foolishness. New policies require new priorities and new measures of their achievement, which the new government will introduce. Something similar often happens when there is a contested takeover of a firm or a merger; sometimes it also happens when, as a result of the appointment of a new CEO, there is a change in the top management team. In with the new, out with the old—politics is a major mechanism of organizational change.

In theory, there is actually little point, analytically, in running some preferred model of action like a metric over the organization’s actions. To do so would not tell us whether they are rational or not, because it will all depend on the normative presuppositions that are implicit in the conception of rationality being used to measure as well as what is being measured. Of course, if you are a manager, then these considerations hardly matter. You will be held accountable and hold others accountable in terms of whatever metrics are constructed as rational in a specific context—irrespective of how irrational they might actually be. Hence, as we shall see in Chapter 5, rationality, or at least what
counts as rationality (and we would say the two conceptions are indivisible), is utterly implicated with power; knowledge of what is rational is embedded in institutionalized practices of power.

Rationalities are historically structured differently in varying periods, as different kinds of knowledge dominate. This is the lesson we learn from postmodernism. As the rules of the game shift historically, then different issues become critical for organization strategy. As these issues shift, different forms of occupational knowledge give personnel an advantage in terms of the shifting rules of the game. Think of the major Hollywood studios, which are largely formula driven. Although there are exceptions, such as an innovative movie not made to formula that becomes successful despite or because of this, such as *Pulp Fiction*, *Trainspotting*, or *The Blair Witch Project*, how many movies can you think of that were hits, and because they were hits, then a sequel gets made? Sometimes many sequels! And the other studios copy the successes of their competitors.

Rationality concerns not just technical efficiency, because it is always culturally framed. Managers seek to make their organizations similar to models that are already institutionalized as positive examples. They do not want to deviate too far from the forms that are already culturally valued. Thus, organizations end up being similar not because it is rationally efficient for them to be so but because it is institutionally rational. Sticking to legitimate forms bestows legitimacy. Hence, organizations in similar fields of activity tend to be similar in their design, functioning, and structure. These are the basic insights of institutional approaches to organization analysis. Together with the insights of postmodern critiques, and Weber’s thoughts on bureaucracy, they give raise to the idea that we do not deal with rationality but rationalities. The example of French bread illustrates this more tangibly.

Stewart once wrote about French bread in the context of an earlier book, drawing on wonderful work by Daniel Bertaux and Isabelle Bertaux-Wiame (1981). In their research into “Artisanal Bakery in France: How It Lives and Why It Survives,” Bertaux and Bertaux-Wiame (1981) wrote, disparagingly, about industrial bread as “industrial food wrapped in a shroud of cellophane which is sold in the supermarkets of the western world under the somewhat euphemistic label of ‘bread.’” Industrial bread accounts for most of the bread sold in the Anglo-Saxon countries of the United States, Canada, Australia, New Zealand, and Britain. The reasons for the supremacy of this industrial bread are evident from what we can learn from Chandler (1962). Bread is usually produced from within a division of a giant food conglomerate based around vertical integration from flour milling to bread and related food retailing.
Institutionalizing French bread
PART I  MAKING SENSE OF MANAGEMENT
Chandler’s (1962) thesis is that efficient, successful organizations in similar industries, cross-culturally, should adopt the same type of strategy and structure, irrespective of their location (see also Chapter 13).

Visitors to and residents of France know that the typical French bread is a crusty baguette or half pound loaf. It looks good and it tastes good. However, to describe it does not tell us what French bread is. It is clearer, perhaps, if we determine what it is not. First, it is not a standardized, easily transportable, mass-produced product. It is not a heavily marketed, brand-identified, size-invariant, shrink-wrapped, and sliced product sold identically in virtually similar supermarket chains throughout the country. It possesses an inherent quality of “freshness.” It is perishable, its value being that it is fresh, does perish, and cannot be bought other than on a daily basis. It incorporates everything that industrial bread could never be. So how is French bread possible? How has the market dominance of conglomerate oligopoly bread been avoided? Why should it be that in France and a number of Latin countries most of the bread consumed is made by artisans rather than in factories, and only a small percentage of the market is for industrial bread, whereas in other countries, such as Britain and the United States, it is industrial bread that wins the market?

In France there is about one bakery for every thousand people, a decentralized scattering of small, independent bakeries that manufacture and sell bread, cakes, and croissants from the same premises. The shopkeeper is usually the baker’s wife, and the couple is the real economic unit, the man as an artisan and the woman as a shopkeeper. On average, each bakery employs fewer than three workers, usually less than twenty years old. Most of these young men leave the trade sometime between twenty and twenty-five. Many of these very small bakeries are in decline in depopulating urban areas and villages. Newer, larger (employing ten to fifteen people) bakeries making bread for large chains, such as Carrefour, have developed in suburban areas. However, these are still the same kind of artisan bakeries, making the same kind of artisan bread, using the same methods of production. They are just larger.

In 1966, however, traditional methods of making French bread did seem to be under threat. The largest flour-milling group in France, which had a virtual monopoly on the supply of flour to the Paris market, was rumored to be preparing a huge bread factory close to the Seine in order to supply industrial bread to the French market. One day, without warning, the flour-milling company changed the terms of trade. Henceforth, only full truckloads would be delivered, a crippling blow to bakers who had neither the market nor the storage capacity to warrant such an amount. However, after a week of panic, when it looked as if what the big millers desired—the eclipse of the small bakers—might occur, the small bakers discovered some independent mills still functioning in the regions outside Paris, which were on the verge of closing down, due to a lack of work, that were delighted to receive the orders of the small bakers. The new network functioned quite smoothly after a month or so, at which point the “big flour-milling company understood it had lost the fight; it went
Image 2.8  Artisanal bread
back to its previous policy of retail delivery, lowered its prices to get back its
former customers, and put the plans for the factory back in the safe where they
are waiting for the next opportunity” (Bertaux and Bertaux-Wiame 1981: 161).

Baking bread has always been, and remains, hard work, sometimes for
relatively small returns. Before World War II, the working day would often
start at midnight, or earlier, with the preparation of the first batch of dough.
The oven had to be warmed next, so wood had to be cut, the fire lit, and so on.
At around two in the morning, the first batch had to be cooked, and so on, in
successive batches through to noon. Lunch and sleep followed till four, when
the baker and the young apprentice would attend to their rural rounds delivering
bread to the farms. Returning home from this later that evening, they
would have time for a few hours of sleep until midnight rolled around again.

The shop opens from eight in the morning, or seven in working-class dis-
tricts; it may shut from one till four, and then reopen, closing finally at eight, a
long day’s work to which the shopkeeper-wife “must add the work of any house-
wife and mother. The closing day is used not for rest or leisure, but in making
up for the accumulated backlog of cleaning, washing, shopping” (Bertaux and
Bertaux-Wiame 1981:163). The wives are the street-level workers, the frontline
marketers. Good bakers bake good bread, but it is good wives who sell it, who
create a regular customer attracted to a particular bread and a particular shop. In
addition, wives are also the accountants, cashiers, and trusted confidantes. Wives
who become widows can hire bakery workers to continue the business, but husbands who have become widowers, or whose wives have left them, find it difficult to continue in the business without an unpaid and trustworthy partner. Good wives are good investments in more ways than one. It is to the wives’ judgment that the reproduction of this whole enterprise falls.

Given the nature of the trade, only someone who had been apprenticed in it could possibly run the business, and, indeed, most present-day bakers were formerly workers who had become self-employed at an early age. Initially, this discovery was puzzling for the researchers. Where would a lowly paid worker in a low-status trade, in all probability with no collateral, raise the significant sums necessary to buy even one of the smallest going concerns? Redefining the problem from the other end of the age spectrum solved the puzzle. Consider an old couple whose life has been their bakery and who want to retire, with no children to hand on the business to. How can they retire? Only if they can sell the business as a going concern, complete with goodwill, to someone who will continue to use the premises as a bakery. For any other purpose, it is just a small shop and workshop, with no intrinsic value over and above that of the market value as real estate. Anyway, premises are invariably rented. All there is to sell is the baker’s ovens and machines unless the bakery continues as a bakery, in which case goodwill (stable customer relationships with a specific local population) can return an appropriate monetary value, which the machinery, frequently worn out, will not. The only people who can take over the trade are the young men who have been apprenticed in it. They are the only ones to know the trade intimately. Becoming a self-employed baker consummates the hard union of an apprenticeship, with long hours and low pay. It is this possibility that makes being a lowly worker bearable.

How bakery workers become proprietors and old couples retire from the trade are inextricably linked. The retiring couple lend the necessary money to the bakery worker and his wife. For the incoming couple, its acceptance means eight years of relative hardship and privation as they save to repay the value of the goodwill (based on the value of an average month’s sale of bread). For the retiring couple it means placing tremendous trust in the new couple, for the turnover may be a risky business. If they do not succeed in the trade, then they cannot repay the loan. Actually, the trust is placed not so much in the couple—the bakery worker is trusted to know the trade on the basis of his ten years or so of service—the trust has to be placed in the young woman who is entering the trade, for she is the key to the whole enterprise. She is the secret of the future success of the boulangerie. Has she got what it takes to be a good shopkeeper? Can she tolerate the long hours of work during the day and the emptiness of the nights as her husband toils in the bakery? Does she know what being a baker’s partner means and entails? Will she resent the customers who, arriving after hours, will nonetheless disturb her because they want, expect, fresh bread? A good baker needs a good partner in life and business as well as money to succeed. If he does not have the former, it is unlikely he will make the latter.
A baker’s marriage is not just a transaction between marital partners—it is also a transaction between an artisan and a shopkeeper who are bonded together.

When we checked with our French colleague and friend Emanuel Josserand, he updated the story for us. It is apparent from what we learned that the artisan form is not in present danger of extinction from industrial bread. There has been a renaissance of artisanal techniques in the late 1980s and early 1990s. The big mills seem to have completely given up the “all-industrial” strategy. Interestingly, at least two of them offer increased services to the boulangeries, including a brand of bread using specifically selected flours. They provide wrapping papers and bags, signs, and the flour to make a specific baguette as well as some more upmarket baguettes and other breads. This builds up on a tendency to buy more sophisticated breads with, for example, seeds, olives, and cereals, at least in the big towns, from the specialist bakers. Indeed, the latest figures that we were able to find suggest as much. According to data from the French Ministry of Foreign Affairs (Le Magazine 26: 12/1996), the independent shops of artisan bakers comprise 75% of the volume (probably more in value), industrial bread has an 18% market share, and retailers like Carrefour (bread produced most of the time in big artisanal units) have 7%. There are still 35,000 boulangeries artisanales, and despite a tendency to uniformization that dates back to the 1940s, there are still eighty-one regional breads, with the baguette representing 80% of the purchases. Each shop serves an average 1,570 inhabitants per shop. A new tendency is an increase in the quality of frozen uncooked bread, cooked on demand in small franchise shops with a small oven (such as Brioche Doré). They take part of the market in the big towns, for immediate consumption during a lunch break or at teatime. More recent figures for 2000 from the Confédération nationale de la boulangerie-patisserie Française show that 71.3% of the market is still serviced by artisanal bakeries. The share of franchise and industrial bread has increased but very slowly and not very significantly. We can hardly talk about a paradigm shift in French bread. In some small towns or big villages, although a boulangerie can be a very profitable business in the long run, and one will find quite a few Mercedes in the backyards, at the other end, the prospects are modest in small villages and remote areas.

The tale is long and complex, yet it teaches us some profoundly important things. First, these organizations are composed around a core of “value imperatives,” as institutional theory argues. At every stage where the boulangerie might have been annihilated at the hands of industrial bread and its organizational form, the resources of deeply held cultural values were there to keep it going. For the boulangerie of France, these resources were a supply of potential shopkeepers and the culturally legitimate value of a model whereby the social structuring of the organizational form could reproduce itself. Second, these organizations are constituted within culturally defined ways of doing, ways of being, and ways of becoming. To be sure, there are pressures for rationalization and efficiency. We saw how the industrial flour millers sought to exercise power and dispense with the preferences of French consumers not to purchase the kind
Embedding economic action in social action
of industrial bread that they could make. The transaction costs are expensive and inefficient for all concerned. The customers had to shop for bread both in the morning and again in the afternoon. With industrial bread, just one weekly supermarket trip would suffice. For the bakers, the costs are even higher. They have to endure a long, arduous, and unremunerative apprenticeship; they borrow heavily at the beginning to become proprietors and lend heavily at the end to become retirees; they have to take extraordinary risks so that at the end of their lives the costs associated with retirement will be recouped; they leave themselves open, when they are most vulnerable to opportunistic or foolish behavior. They place their fate in the hands of a party they can never be sure to trust in a transaction that has no guarantees. Yet they choose to be bakers. In addition, their customers choose to eat baker’s bread rather than its industrial counterpart.

The lesson we learn is simple: These bakers act rationally, as do their industrial counterparts equipped with methods of rational management seeking economies of scale, even though they each act radically differently. Thus, do not expect a singular scientific rationality to be played out in an industry; rather, rationalities exist in plural, each based and legitimized in its own logic. No rationality is necessarily “more rational” than another.

The preceding analysis of French bread is a testament to what Granovetter (2002: 363) has termed the “embeddedness” of economic action: “The argument that the behaviour and institutions to be analysed are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding.” Granovetter attempts to correct this misunderstanding by focusing on the central role of networks of social relations in producing trust in economic life. Seen from this perspective, the reproduction of the boulangerie is not only a mode of organization but also a complex of cultural and economic practices. It is a classic case of embeddedness. One consequence of an embedded analysis is a perceptible transformation in the object studied. It enables one to appreciate that “small firms in a market setting may persist . . . because a dense network of social relations is overlaid on the business relations connecting such firms” (Granovetter 2002: 385).

Granovetter’s emphasis on embeddedness is quite at odds with the conventional perspective on a singular rationality of market efficiency. Such theories operate with an “undersocialized” conception of action in their models and analysis, one modeled on the abstractions of economic rationality. The people who inhabit the theories of singular economic rationality are truly one-dimensional characters—they can calculate but not do much else. In Oscar Wilde’s phrase, they know the price of everything and the value of nothing. They have been reduced to a calculus, while every other aspect of their social being has been stripped away. The reductionism of an undersocialized view of economic action has been dealt an effective counter-factual blow with the case of French bread, with its insistence on the institutionalization of value and the
CHAPTER 2 MANAGING RATIONALITIES

SUMMARY AND REVIEW

ONE MORE TIME...

Getting the story straight

Thinking outside the box
centrality of culturally framed economic mechanisms in ensuring the survival of a seemingly archaic form into contemporary times.

In Chapter 1, we encountered the idea that management was concerned with instilling rationality into organization, where engineers largely conceived that rationality in instrumental and efficiency terms. There were objections raised at the time, of course, by writers such as Mayo, Barnard, and Follett, all of whom wished to point to the importance of either irrational elements (Mayo and Barnard) or the importance of quite different factors, such as community (Follett) that the new forms of rationality seemed to be destroying.

None of the writers encountered earlier had any fundamental criticisms of the conceptions of rationality that were in use. However, this was not the case for Max Weber, with his distinction between substantive and formal types of rationality and his idea that there were more ways of being rational than merely calculating in the manner of an engineer. At heart, what was most important in Weber was the injunction to research how values became institutionalized in organization and management. Subsequently, many theorists have developed this perspective into institutional theory to explain that organizations and the management action that occurs within them are culturally embedded, culturally framed, culturally reproduced, and culturally changed. In a word, whatever passes for rationality is culturally defined (rather than something that can be settled by reference to some external standard, of engineering or economic efficiency), a topic to which we return in Chapter 6.

- What are the central features of bureaucracy?
- What does isomorphism mean? What are its major variants?
- From a postmodern perspective, how does the concept of rationality differ from a modernist account such as Taylor’s?
- What are some of the ways that different rules define different rationalities?
- What are the main competing rationalities at work in the story of French bread?
- What are some of the ways in which purely economic accounts of organizational action are inadequate?
PART I  MAKING SENSE OF MANAGEMENT

ADDITIONAL RESOURCES

1.

2.

3.

4.

5.

6.
There is no intellectual substitute for reading great scholars in the original, and Weber is a case in point. Many of his books are very difficult to read today, as they are very formal and rather heavy going. However, *The Protestant Ethic and the Spirit of Capitalism* (1976) is probably the most accessible of his books, and has wonderfully prescient conclusions pointing to the world in which we live today. For those who find the ideas of institutional theory intriguing, then there is a wealth of materials from which to choose. Probably most thorough and useful are the contributions of Greenwood and Hinings (2002), which address “old” and “new” institutionalism, bringing them together. A fascinating institutional account is provided of how the changes from there being an East and West Germany to a unified Germany had significant effects on the organization and survival of symphony orchestras from the two territories by Allmendinger and Hackman (2002). Finally, Scott (2002) provides a synoptic overview of the wide variations in different types of institutional theory.

In terms of institutional theory, there is one recent film that illustrates the general points particularly well. In *Down with Love*, the 2003 romantic comedy of sexual manners, starring Renée Zellweger and Ewan McGregor, when the female lead character starts up a magazine in opposition to the one that the male lead character is employed on, it is almost a clone of *KNOW*—the men’s magazine—even to the name, which is *NOW*—the only difference being that *NOW* is pitched at a female demographic whereas *KNOW* is aimed at men. The crucial point is that in establishing the magazine, the successful form is copied. In fact, the whole film is a witty and extended scripting of institutional theory in its premises—all the main plot moves on the part of the two lead actors are generated by character mimesis. In addition, there is also an excellent film of Kafka’s *The Trial* from 1993, starring Kyle MacLachlan and Anthony Hopkins, which illustrates the dread and oppressiveness of bureaucracy at its worst.

In addition to these suggested additional resources, don’t forget to look at what is also available on the Web site www.ckmanagement.net, including free PDF files of recent papers related to this chapter, which you can download; video interviews with famous academics talking about related themes; as well as many other resources, such as connections to interesting Web sites.