

CORPORATIONS, CLASSES,
AND SOCIAL MOVEMENTS
AFTER MANAGERIALISM

by
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ABSTRACT

The much-heralded transition to a “new economy” in the United States entails two shifts that are consequential for theory about social structure. The first shift is the decline of the mass production paradigm and the organizational forms and social structures associated with it. Even among the largest manufacturers, stable “organizations” have been replaced by fluid “networks” as forms of governance. The second shift is the dominance of capital markets as the primary mechanism of corporate finance in the U.S. and, increasingly, other industrialized economies. Businesses raise funds not through personal ties to bankers but through arms-length market transactions; their owners, in turn, are not wealthy individuals but financial institutions. Theories of corporation and class suited to a “monopoly capitalist” economy prove increasingly inapplicable, and approaches to the firm in law and economics are of little help. Social movement theory provides an alternative set of constructs and mechanisms better suited to the contemporary economy.

Introduction

There is widespread agreement among social scientists that the United States is witnessing the emergence of a new economy borne through a “third industrial revolution.” Aspects of this have been described in terms of a breakdown of the mass-production paradigm, the dissolution of traditional labor market institutions, and the emergence of globally expansive and hyper-vigilant capital markets led by institutional investors. High velocity labor markets coupled with protean production structures create a sense of ongoing flux in the arrangements disciplining economic life. The American system of corporate governance in which these other institutions are embedded has come to be a model for the world, at least in the eyes of some commentators (Useem, 1998). There is also general recognition that the transition to a new economy is accompanied by enormous social dislocation, and policy recommendations range from meliorative (e.g., Reich, 1991) to Malthusian (e.g., Jensen, 1993). The stakes are high, as evidenced by events following the East Asian financial crisis of the late 1990s.

How these changes are implemented—how the new economy comes to have a particular institutional structure—is by rights a central topic on the agenda of economic sociologists, and particularly for theorists of organization. But the broad contours of the new economy undermine efforts to theorize the world in terms of social entities such as “organizations.” Organization theory imagines society as an urn filled with balls called organizations: a “high modernist” conception of boundary-maintaining bodies with relatively centralized control (cf. Scott, 1998). Yet economic production increasingly implicates shifting networks of actors and identities that appears more to resemble a vat of polymer goo, in Harrison White’s (1992: 4) memorable terminology. In this paper, we argue that the core problem facing organizational theory is that it uses a vocabulary and ontology rooted in an image of a mass production, managerialist economy

that was roughly apt for the 30 years following World War II in the U.S. but has become inapplicable to the current institutional structure of the economy. Based on a series of recent empirical studies, we critique extant theory for its weaknesses in providing useful insights into the changing economy. Finally, we outline how contemporary theory about social movements can inform organizational research on the contemporary organization of the economy.

What is new about “the new economy”?

Proclamations of epochal shifts deserve skepticism. But there is substantial agreement among social scientists of various stripes that the “post-industrial” economy in the U.S. is something different from its predecessor, and that this is realized in different ways of organizing production and different ways of organizing ownership. We first discuss these elements for the post-War U.S. economy and then describe recent changes.

The transition from competitive to monopoly capitalism has been amply documented, accomplished over the course of the twentieth century through mergers that consolidated oligopolistic producers with national scope and tall managerial hierarchies. In broad strokes, the post-War U.S. economy was populated by large, vertically integrated mass producers. Employment and economic power were disproportionately concentrated in a few hundred major corporations. By the early 1980s, 55.3% of nongovernmental employees worked for the 750 largest U.S. firms, and the 200 largest nonfinancial corporations accounted for 35% of the assets of all nonfinancial corporations (Davis, 1994). Large corporations such as these were said to reflect a separation of ownership and control—that is, they were owned by thousands of dispersed and disorganized investors, but controlled by professional managers who attained their positions through bureaucratic processes and owned little of the firm themselves. This situation

of “managerialism” was argued to change the nature of class relations, from a Marxian society-wide conflict of workers vs. owners to a Weberian conflict of workers vs. managers within the enterprise (see Dahrendorf, 1959). Moreover, unshackling professional managers from the demands of organized investors was believed to free them from the strict dictates of profit maximization, enabling a “soulful corporation” that balanced the interests of various “stakeholders.”¹ The aptness of this description was challenged (Zeitlin, 1974), but empirical ownership patterns supported it, as few large firms had a single family owning as much as 10% of their stock.

In a society where employment and economic resources are concentrated within a relatively small number of large corporations, making sense of the corporate sector is a central—perhaps the paramount—task for social theory. Chick Perrow writes:

[T]he appearance of large organizations in the United States makes organizations the key phenomenon of our time, and thus politics, social class, economics, technology, religion, the family, and even social psychology take on the character of dependent variables....organizations are the key to society because *large organizations have absorbed society*. They have vacuumed up a good part of what we have always thought of as society, and made organizations, once a part of society, into a surrogate of society (Perrow, 1991: 725-726).

By this account, to explain the structure of society entails explaining the configuration of organizations we have, as the U.S. has become a society of organizations. This synoptic view of social structure made organization theory (the branch of sociology concerned with formal organizations) the queen of the social sciences. The attainments of individuals are shaped by the reward structures and career ladders (Baron, 1984) and birth and death rates (Hannan and Freeman, 1989) of the organizations in which they work; thus, stratification should be a sub-field

¹ As Dahrendorf wrote in 1958: “Never has the imputation of a profit motive been further from the real motives of men than it is for modern bureaucratic managers.”

of organizational sociology. Creating formal organizations becomes the cover charge for participation in politics (Laumann and Knoke, 1987), and those running large organizations become distinctively influential over state policy, particularly when acting in concert with their colleagues (Useem, 1984); thus, political sociology (for the US) can also be subsumed. In *The Sociological Imagination*, C. Wright Mills cast the role of social science as making sense of the intersection of biography and history in social structure. In a society of organizations, organization theory holds the master key to social structure.

But the corporate structures associated with the post-War U.S. economy have been substantially transformed in the past two decades, and with them the prospects for theories of social structure. For the sake of brevity, we emphasize two broad trends. The first is a shift in the social structures of production away from bounded organizations and toward unbounded network forms (what Sabel [1991] calls “Moebius-strip organizations”). The second is the hyper-development of capital markets and the marginalization of financial intermediaries such as commercial banks.

Early inklings about the changing shape of production structures came from the surprising resurgence of industrial districts in Italy and elsewhere, which—coupled with the superior performance of vertically dis-integrated manufacturers in autos compared to American-style firms—came to be characterized as the breakdown of the mass production paradigm (Piore and Sabel, 1984). Organizations oriented to long production runs that made sense in a world of mass markets were disadvantaged when markets were segmented and tastes changed rapidly. Housing all or most steps of production within a single organizational boundary was not an end-state of industrial development. Alternative ways to divide labor among specialist firms, households, and individuals came to prominence.

As Sabel and Zeitlin (1996) put it, “It is as though the prehistoric and imaginary creatures in the industrial bestiary had suddenly come to life,” coexisting as a strange pastiche of economic forms. Some (e.g., industrial districts; home working; project work, as in construction or film production; short-run production networks linking small specialist firms, as in the garment industry) had existed for some time or were newly revived. Others were decidedly new. Nike represents one approach: the firm designs and markets sneakers from a base in Oregon but contracts out for virtually all production with East Asian manufacturers. Ingram Micro uses the same production line to assemble computers for archrivals Compaq, IBM, Hewlett-Packard, Apple, and Acer, which it also distributes. A vice president at Hewlett-Packard explained “We own all of the intellectual property; we farm out all of the direct labor. We don’t need to screw the motherboard into the metal box and attach the ribbon cable” for the computer to be a Hewlett Packard product. And Volkswagen’s facility in Resende, Brazil represents perhaps a first: an assembly plant run almost entirely by multinational subcontractors, referred to as a “modular consortium.” Units of Rockwell and Cummins from the U.S., Eisenmann from Germany, and Delga from Brazil each have shops along the assembly line, along with suppliers headquartered in Japan and elsewhere; Volkswagen employees perform R&D, marketing, and quality control. The large majority of workers on site work not for VW but for the other multinational participants. Assembly workers are paid one-third what autoworkers in Sao Paulo make; union leaders are reportedly perplexed by the web of employers at Resende. (The perplexity around the relevant bargaining unit was almost certainly part of VW’s plan.) Shortly after the Resende plant opened, GM announced plans for a similar mini-car factory in Brazil, to house 20 multinational suppliers in what is seen as a prototype for future manufacturing facilities for appliances, VCRs, and other consumer goods.

If these were mere anomalies, they would hold little interest. But there is systematic evidence of a global proliferation of various network forms, described by Bennett Harrison as “the signal economic experience of our era” (1994: 127). Due in large part to advances in information technology, the basic calculus of the make-or-buy decision has been altered for tasks from payroll to manufacturing to product design, and even down to naming the organization. In effect, almost everything that a firm might do has a ready market comparison in the form of a specialist contractor. The result is that it is difficult to identify what is “core” to an organization, and thus what needs protection from uncertainty (cf. Thompson, 1967). We have instead global production chains (McMichael, 1996) in which the boundaries around individual firms are provisional and highly permeable. Even basic facts about an organization’s identity, such as whether it is a manufacturing or service business, are labile. Sara Lee Corporation, a large and diversified producer of food and clothing, announced plans in September 1997 to effectively abandon being a manufacturer in favor of being a marketer of its various brands, which range from Ball Park Franks to Hanes underwear to Coach leather goods. Its CEO, with the prodding of Wall Street analysts, came to realize that the firm’s “core competence” was not in making things but in managing their promotion and distribution, and thus the firm planned to shed most of its production capacity (“de-verticalize”). The increasing ambiguity around terms like “manufacturing” and “service” was reflected in 1995, when Fortune Magazine changed the definition of the Fortune 500 list from the 500 largest manufacturers to the 500 largest businesses overall.

Changes in the social organization of production have profound implications for theory about organizations, understood as boundary-maintaining systems. Network production systems no longer map onto discrete, bounded entities such as organizations, and social structures of

production increasingly elude description using the traditional theoretical vocabulary of organizational sociology. But another change is perhaps even more consequential for the nature of social structure. It is the enormous global expansion of capital markets and the changing nature of the intermediaries that operate in them. The renowned “triumph of markets” is in important ways the triumph of *capital* markets, both as a mechanism to finance (and discipline) corporations and as an outlet for the savings of households. In the United States during the 1990s, the number of public corporations doubled (to over 11,000), the number of mutual funds tripled (to roughly 9,000), and the proportion of households reporting stock ownership reached a historic high of 42% (double the figure of 30 years earlier). With the encouragement of a well-developed venture capital industry, organizations are increasingly founded with an expectation that they will eventually go public, by floating shares on a stock exchange (Black and Gilson, 1997). What has happened, in short, is that financial markets have largely supplanted alternative mechanisms (such as private ownership and bank lending) for channeling savings from households to firms in the U.S. (Davis and Mizruchi, 1999).

The shift from embedded ties to market-based transactions changes the basic nature of corporate decision making. By hypothesis, markets assign prices to financial instruments (stocks and bonds) according to the expected future income associated with their ownership, adjusted for risk. Thus, managers of firms that care about share price will seek to demonstrate their fitness to the capital markets by cleaving to the standards of the most substantial market participants (Useem, 1996; cf. Meyer and Rowan, 1977). Demonstrating fitness to a dispersed financial market is rather different from managing interdependencies with exchange partners, as it requires discerning and acting on intersubjectively-held mental models of appropriate practice that are “out there” in the market (Shiller, 1990). Indicators of fitness range from appointing

CEOs of well-regarded firms to the board of directors (Davis and Robbins, 1998) to adopting particular kinds of incentive compensation systems and rationalizing them in appropriate ways (Westphal and Zajac, 1998) to streamlining the mix of industries in which the firm operates (Zuckerman, 1999). The most substantial market participants also prize liquidity, that is, the ability to sell a financial asset at any moment on a market for a known prevailing price. The marketability of a security is aided by the transparency of what it represents, which helps reduce intersubjective uncertainty about its value. Markets favor the overt over the tacit, and accounting rules and corporate strategies are designed to increase this transparency (Useem, 1996).

Who owns the U.S. corporation has changed substantially in the last decades of the 20th century, thus altering the audience for corporate decisions from individual owners to institutions. Financial assets in the U.S. are owned primarily by financial institutions rather than households. Upwards of 60% of the shares of the largest 1000 corporations is owned by institutions (pension funds, mutual funds, banks, insurance companies, and others), and this proportion has been increasing over time. Individuals are the ultimate beneficiaries of this ownership, of course, but decisions about what financial assets to buy and sell are made by professionals trained in financial analytic techniques and rewarded based on tangible measures of the performance of the assets under their management². In other words, the process by which capital is allocated and accumulated in the U.S. is largely in the hands of employees of institutions, not wealthy

² This leads to some interesting peculiarities, particularly when pension funds are involved. Hostile takeovers were regarded as a direct cause of many plant closings and layoffs that decimated communities in the 1980s. Those who ran large corporations adopted several innovations (such as the “poison pill”) meant to make unwanted takeovers more difficult, often cloaking their actions in a rhetoric of concern for labor and other “stakeholders.” Remarkably, the most vociferous critics of these protective measures were pension funds such as the College Retirement Equities Fund (CREF), which sought to have companies rescind their poison pills as an unacceptable violation of the funds’ property rights. The Teamsters pension fund has been most active on this issue recently, charging that managers seeking to protect their firms are thereby violating the Teamsters’ rights as investors.

individuals acting on their own behalf. The last vestige of the human touch in corporate finance—loans made by commercial banks, which must be approved by individuals who are willing to put a price on a loan based on their judgment—has been all but abandoned by large corporations, which can raise money more cheaply through money markets (Davis and Mizruchi, 1999). The implication, again, is that corporate decision making is oriented toward market-based evaluations.

In markets, disparate producers are compelled to make themselves comparable and thereby susceptible to ranking and valuation by buyers (White, 1992). The range of instruments traded on financial markets, and thus the set of competitors for favorable evaluation, has expanded dramatically during the past two decades through the practice of “securitization” (that is, turning income-producing entities into tradeable securities such as bonds). Since Fannie Mae entered the mortgage-backed securities business in 1981, for instance, this market has expanded from \$25 billion to over \$4 trillion outstanding. In principle, almost anything that has future income associated with it can be securitized: a financial institution could bundle together a set of home mortgages, student loans, credit card receivables, or other loans it has made, divide them into shares, and sell them. The price of a share would reflect various factors likely to change the flow of income (e.g., changes in interest rates that influence whether individuals pay off mortgages early or default). Cheap computing power and new financial analytic techniques make it possible to place a value on such securities quickly in ways that would have been prohibitively expensive 25 years ago. Variations on this basic theme have become extravagant. In 1997, pop star David Bowie received \$55 million for selling 10-year bonds to be paid from the anticipated royalties generated through future album sales. The entire issue was purchased by Prudential Insurance, and a unit of Nomura Securities subsequently established a division to

specialize in creating securities backed by future revenues generated by music, publishing, film, and television products. Insurance companies sell “disaster bonds” that pay attractive returns to their investors unless rare natural disasters (hurricanes; earthquakes) require the insurers to make large payouts to those they insure, in which case bondholders lose some or all of their investment. The large fees associated with underwriting these securities propel frantic innovation on the part of investment banks seeking to securitize anything with a potential income (or loss) associated with it. Again, these securities are generally purchased by institutions, not individuals. Institutions, moreover, have no inherent reason to prefer owning shares in a corporation to owning David Bowie bonds or bundles of Citibank credit card receivables sold as securities: what they own is a financial asset for which the only relevant evaluations concern risk and return. As the range of entities traded as securities expands from home mortgages to insurance claims of the terminally ill to municipal settlements with tobacco companies, corporations (understood as financial entities) face increasingly exacting standards of evaluation by financial markets.

How American corporations organize production and how they are financed have undergone a substantial transition toward decentralization. Social structures of production do not readily map onto the boundaries of formal organizations, and corporations operate in a world of disembedded, universalistic financial markets that discipline how they look and what they do. Further, the financial intermediaries that dominate these markets have little reason to prefer investing in the securities of American corporations to investing in other flavors of securities. To paraphrase Perrow (1991), financial markets are the key to society because financial markets have absorbed society. It is organizational strategies and structures that have become the dependent variables.

Prospects and problems for theories of organization in the new economy

Organization theory is the branch of sociology concerned with formal organizations, typically construed as entities constructed to pursue specific goals. The classic text defines organizations as “assemblages of interacting human beings [that are] the largest assemblages in our society that have anything resembling a central coordinative system... [This] marks off the individual organization as a sociological unit comparable in significance to the individual organism in biology” (March and Simon, 1958: 4). In this approach, “it is durable, coherent entities that constitute the legitimate starting points of... sociological inquiry” (Emirbayer, 1997: 285). If organizations are taken as basic units of analysis analogous to actors or organisms, the domain of the discipline follows readily. Organization theory studies the origin, structure, persistence, change, and disappearance of organizations, as well as the relations constructed among them and the impacts they have on individuals and the broader society. The basic imagery is of organizations as meaningfully bounded units responding to various pressures prompting adaptation or, failing that, selection.

The difficulty of applying this approach to the new economy will be evident from the previous discussion. What might have made perfect sense in discussions of vertically integrated managerialist firms in the 1960s has come to be nearly irrelevant to the current structure of the corporate sector, as several studies document. We illustrate this with two theories that are considered to be among the crown jewels of the field: resource dependence theory and population ecology. In each case, two problems arise: they can't account for empirical patterns in the nature of American corporations since 1980, and they show little prospect of being able to do so into the future.

Resource dependence theory. Resource dependence theory (RDT) builds a general framework for organizations from the base of a very parsimonious theory of exchange and power (Pfeffer and Salancik, 1978; Burt, 1983; see Davis and Powell, 1992 for a review of the empirical research). Emerson's well-known approach sees actor A's power over actor B flowing from A's control over resources valued by B. To the extent that B values what A has and can't get it elsewhere, A has power over B and B is dependent on A. The greater B's dependence, the greater its vulnerability to A's whims and the greater the incentive to take steps to reduce the dependence by changing its structural position. RDT applies this approach to making sense of organizations as actors that seek autonomy and avoid uncertainty but are embedded in webs of exchange that create power and dependence relations. The prototype is a firm that relies on a supplier of a specialized input that it can't easily get elsewhere (such as the relation of General Motors to Fisher Body before GM acquired it). The supplier can hold up the buyer by seeking to change the terms of the contract during a crunch period when the buyer is vulnerable. Organizations can respond to this condition either by maintaining alternatives (using more than one supplier of the specialized input), co-opting the supplier (e.g., by placing one of the supplier's executives on the board of directors to cultivate empathy, which GM did with Fisher), or buying the supplier (which GM also eventually did with Fisher). If none of these are possible or sufficient to reduce vulnerability, perhaps because of unavoidable conditions in the industry, organizations seeking to evade dependence will diversify, operating across a number of industries. Diversification across industries reduces the dependence and uncertainty associated with operating in any one.

Organizations thus deploy a repertoire of actions to respond to dependence that form in essence a Guttman scale: the greater the dependence, the more intense the response (from

evasion to interlocking to outright merger). Evidence at the industry level appeared to support this account: the greater the uncertainty one industry posed for another, the more likely industry participants were to share directors, and the more likely were mergers between firms in the two industries (Pfeffer and Salancik, 1978). Firm-level analyses purported to show similar effects (Burt, 1983). The problem is that from about 1980 onwards, this approach fails to account for virtually anything that large corporations did. Essentially, there was little variance left to explain. First, mergers and acquisitions by large firms did not map onto "problematic dependencies." Between 1986 and 1990, the 500 largest manufacturers in the U.S. (the "Fortune 500") collectively make roughly 450 acquisitions. Among these firms, only about 5% bought a firm in an industry with significant vertical relations (that is, a potentially substantial buyer or supplier). In other words, vertical integration had largely disappeared in favor of alternatives like contracting out, at least in the manufacturing sector. Unrelated diversification has also all but disappeared as a tactic: only 3% of these firms did more than one unrelated acquisition during the late 1980s, and diversifiers tended not to be the most dependent organizations, but the *least* dependent, like GE and AT&T (Davis, Diekmann, and Tinsley, 1994). Conversely, about 1/3 of these firms sold off some businesses, usually shedding units outside their primary industries in order to focus on a "core competence" (Galvin, 1994). In other words, very few large corporations engaged in acquisitions to manage their exchange-based dependence.

The same holds true for board interlocks (that is, cases where an executive of one firm serves on the board of directors of another firm). At one point, interlocks were feared as a device for collusion, with competing firms sharing directors in order to maintain a cartel. But since the Clayton Act of 1914 prohibiting such ties, few have appeared, and in 1994 there were no observed cases of competing major manufacturers appointing the same individual to their board.

There were also few potentially co-optive interlocks: no more than 5% of large industrial firms had an executive of a firm in a major buyer or supplier industry on the board in 1994 (Davis, 1996). Ties to financial institutions followed the same pattern: among the Fortune 1000 firms in 1999 that were not commercial banks, only about one out of twenty had an interlock created via an executive of a major bank. Moreover, while 25% of firms had an executive serving on a major bank board in 1982, this number had dropped to 16% in 1994 and to under 11% in 1999, as money markets had replaced banks as sources of short-term debt for major corporations (Davis and Mizruchi, 1999).

It is possible that global markets enabled by information technology have reduced the general level of dependence of any one business on any other, thus mooted the need for the repertoire described by RDT. But it is not the case that organizations don't merge or interlock; it is that they do not do so in the way described by resource dependence theory or for the reasons it hypothesizes. The top executives of major corporations make sense of their actions almost entirely in terms of "creating shareholder value," and actions that contradict the prevailing theories of how to create shareholder value (such as vertically integrating, or operating in several industries rather than focusing on one) are sanctioned. Strategies once construed as serving the organization's interest in stability are now seen as serving only the interests of the executives who run it. Pfeffer and Salancik (1978: 114) described their organizational rationale for acquisitions: "We will present data which suggest that merger is undertaken to accomplish a restructuring of the organization's interdependence and to achieve stability in the organization's environment, rather than for reasons of profitability or efficiency as has sometimes been suggested." Compare *The Economist's* account for the conglomerate merger wave of the 1960s: "Synergies from diversification did not exist....This was a colossal mistake, made by the

managers, for the managers” (*The Economist*, 1991: 44). What RDT describes as an empirical regularity driven by the organization’s drive to reduce uncertainty is subsequently recognized as a pathology driven by poorly-aligned managerial incentive structures.

Notions of power and exchange are certainly still useful, but they get played out in a historical context that conditions how applicable they are. RDT’s greatest strength—its topicality—is also its greatest weakness, because the phenomena it meant to explain are by and large absent today. One might argue that an empirical critique focusing on the Fortune 500 is simply sampling an unrepresentative tail of the distribution. But the largest firms historically accounted for such a disproportionate amount of the assets and employment of the manufacturing sector that it matters little whether the findings generalize to the remaining smaller firms. One might also argue that the problematic dependency that firms seek to manage now comes not from buyers and suppliers but from shareholders. Thus, corporate action is now oriented toward pleasing shareholders. But to the extent that the main motivation of organizational action becomes equivalent to making profits for shareholders, rather than organizational stability and survival, then the need for a theory that is not simply the economic theory of the firm is not obvious.

Population Ecology. Much of the weakness of resource dependence theory comes from the fact that it focused on topical actions that were prevalent at the time the approach was being constructed but that subsequently disappeared. Problems with being overly topical are far less of a concern for population ecology, which seeks a general and trans-historical theory of organizations ranging from Finnish newspapers to American labor unions to German breweries to European universities. Ecology follows Perrow’s “society of organizations” thinking to its logical conclusion: if organizations are the basic units of society, then we should be able to

explain the structure of society by explaining the demography of organizational forms, much as one would explain the composition of an urn full of balls by counting the number of balls of each size and color that came into or out of the urn. If we are in fact a society of organizations, what explains the proportions we have? Why are there only three U.S. automakers but dozens of hotels in Manhattan? The answer turns on the relative birth and death rates of organizations having these forms—presumably, over time selection processes insure that we end up with the number and proportions of organizations we have now (see Hannan and Freeman, 1989 for a comprehensive account). A crucial assumption of this approach is that organizations don't change in important ways over time: if balls changed colors and sizes after they were dropped into the urn, then counting which ones went in and came out couldn't tell us the composition of the urn. Thus, ecological research focuses primarily on birth and death rates of organizations sharing a form (where "form" is generally defined by industry rather than detailed information about organizational structure).

Early studies documented that there were liabilities of newness (younger organizations are more likely to fail than older ones) and smallness (small firms fail more often than big ones; see Davis and Powell, 1992 for a review). Subsequent research has explored a pair of empirical regularities called "density dependence." The basic finding is that across a wide spectrum of "populations," there is a curvilinear relation between the number of organizations in existence at any given time and the rates of birth and death of organizations of that type. That is, when there are few organizations in an industry (say, labor unions), the chances that any given one will fail are fairly high, but as more organizations enter the industry, the probability of failure for each of them goes down. After a certain point, however, the effect reverses such that with each new entrant, the probability of failure goes up. Graphically, plotting probability of failure on number

of organizations in the population yields a U-curve. The explanation is that there are two competing effects: *legitimacy* (the more organizations sharing a form there are, the greater their legitimacy), which dominates first, and *competition* (the more organizations there are, the less resources available for any one), which dominates later. The effects are reversed for births: greater density increases birth rates up to a point, after which it decreases them (see Hannan and Carroll, 1992 for a full elaboration).

At first blush, it appears that density dependence conflates causes and consequences: the thing to be explained (the number of organizations of a given type) is explained by the number of organizations of a given type. Of course, when this quantity is on the right-hand side of the equation, it is an indicator (simultaneously) of the constructs of legitimacy and competition, whereas when it is (figuratively) on the left-hand side, it is the construct itself. But the deeper problem is an ontological one: across much of the manufacturing and service economy in the U.S., it simply no longer makes sense to count organizations as meaningful entities that are born and die in a fashion analogous to organisms. In a social world that looks less like an urn filled with balls than a vat of polymer goo, explanation through counting misses the major dynamics of the new economy. Locating boundaries around firms and even industries becomes an increasingly fruitless task.

Biotech and the culture industries provide shopworn examples, but even the large bureaucratic organizations that motivated the initial ecological arguments about structural inertia (see Hannan and Freeman, 1984 on the inertial effects of age and size) prove to be protean when it pleases financial markets. The recent history of the entity formerly known as Westinghouse shows how: a century-old industrial conglomerate that dabbled in media and employed well over 100,000 people, its CEO was forced out by investor pressure in 1993 and replaced with an

executive from Pepsi. Within five years, the former Pepsi executive sold off dozens of businesses, bought CBS and other properties, and after initially proposing to split the company in two chose instead to liquidate its remaining industrial operations. On December 1, 1997, Westinghouse ceased to exist, and CBS became the new identity of the remaining corporation, which abandoned its traditional home in Pittsburgh for New York City. Its 1997 revenues and employment were less than half those of 1990, while its profits were more than doubled.

One example that strains the biological metaphor of ecology may not be proof, but the systematic evidence points in the same direction. Between 1980 and 1990, 28% of the Fortune 500 largest American manufacturers were subjected to takeover bids, which were usually "hostile" (that is, outsiders sought to buy the company against the wishes of its current management) and usually ended up in the sale of the company. A large proportion of these takeovers were motivated by the fact that diversified companies operating across several industries could be bought for far less than one could get for dismembering them and selling off the component parts, which was what usually happened following the sale (Davis et al., 1994). In light of this, those running large corporations began dismembering their own organizations, although not usually as dramatically as Westinghouse. Within a decade, one-third of the largest corporations ceased to exist as independent organizations (almost none through business failure), and those that remained operated in half as many industries on average as they had at the start (Davis et al., 1994). The manufacturing economy of the US was driven to a radical restructuring by financial concerns, through processes bearing no relation to "birth" and "death." This trajectory continued without letup through the first seven years of the 1990s and showed every sign of continuing into the future, as "creating shareholder value" had become the only acceptable rhetoric for those that run corporate America. The end state of manufacturing

organization when capital markets are dominant appears to be hyper-specialization coupled with production through networks (Davis and Robbins, 1999).

There are of course contexts where organizations do seem to be born and die, and the biological imagery still seems apt. When competitors are dividing a fixed pie of demands (e.g., geographically bounded areas with a stable base of consumers, such as day care centers or hotels in a metropolitan area), ecological models apply fairly well (e.g., Baum and Mezias, 1992). But finding those (increasingly rare) contexts where the model applies is like looking for one's lost keys under the streetlight. Organizations that are elements of small-firm production networks may have readily-defined birth and death dates (e.g., the buttonhole sewing specialists that subcontract work in the New York garment industry), but their life chances are utterly bound up in the production networks of which they are a part (Uzzi, 1997). One could bump up the unit of analysis such that the network itself is the thing that is born and dies. But new networks are born and die with utter predictability as the fashion "seasons" change. The Procrustean bed of ecological theorizing would thus obscure rather than clarify the dynamics of the industry.

Summary. Organization theory traditionally treats corporations as meaningfully bounded, actorly entities analogous to organisms. This was a reasonable imagery for some purposes in analyzing the organization of the post-War American economy, but the metaphors of "sovereignty" and birth and death no longer make sense of the corporate sector. In contrast to the world described by Dahrendorf, there is no ambiguity on the part of contemporary corporate executives about the purposes of corporations: they exist exclusively to maximize shareholder value, which renders any attachment to industry, employees, and place outdated sentimentality, and any efforts at managing interdependence suspect.

We do not argue that it was never appropriate to study organizations as units, and there is no denying the appeal of the biological analogy. If not the master key to explaining society envisioned by Perrow, organization theory was at least broadly descriptive of the American manufacturing economy for much of the post-War era. But even the barest description of the contours of the new economy eludes description using the traditional vocabulary of organization theory, as exemplified by resource dependence theory and population ecology. Our objection is not a philosophical concern that sociologists “should” study relations rather than things (cf. Emirbayer, 1997) or organizing rather than organizations (Weick, 1979); it is simply that the theories don’t work on their own terms any more.

Problems for conventional theories of class

Although we cannot develop the theme at length here, it is worth noting that problems for theories that take organizations as basic units of analysis have analogues in theories of class. Critiques of marxian class categories appeared in fairly short order after the discovery of a “managerial revolution” separating ownership and control, and Ralf Dahrendorf stated the case most boldly. The post-war economy was dominated by vast mass production organizations owned by dispersed and powerless shareholders and controlled by professional managers who attained their positions through higher education and demonstrated merit. These high-level bureaucrats may clash with the production workers over the exercise of authority, and they may earn stratospheric salaries, but they do not constitute a capitalist class rooted in control of property. “A theory of class based on the division of society into owners and nonowners of means of production loses its analytical value as soon as legal ownership and factual control are separated” (Dahrendorf, 1959: 136). The managerial revolution replaced the fixed boundaries of old classes rooted in property ownership with the mobility of a meritocracy; thus, “...the

participants, issues, and patterns of conflict have changed, and the pleasing simplicity of Marx's view of society has become a nonsensical construction" (57). There were surely strata based on income, but there were no longer politically meaningful classes whose interactions provided a trajectory to history.

Not everyone was convinced. Even if one conceded the separation of ownership and control, a variety of devices compelled managers to act in the interests of owners (who were often well-hidden wealthy families—Zeitlin, 1974). More importantly, owners and managers were mutually socialized through elite institutions that allowed them to develop and act on common class interests. Research on these institutions sought to document how members of the "corporate elite" came to form a self-recognized class capable of exercising unique power over government policy. Various mechanisms were argued to make class cohesion more likely, including board interlocks, living in Greenwich, Connecticut, going to Bohemian Grove to network, or forming associations like the Business Roundtable (Useem, 1984).

But the danger of lumping together owners and managers as a common interest group became evident during the 1980s. The advent of the hostile takeover highlighted the fundamentally conflicting interests of those who ran corporations and those who owned them: corporate executives typically ended up stigmatized and unemployed following a successful takeover, while shareholders commonly got 30-50% premiums for selling their shares to those doing the takeover. To defend their turf against errant owners, managers and boards adopted an array of devices to make it difficult to take their firms over, such as "poison pills," and "golden parachutes" to ensure that they were well-compensated if they lost their jobs after a takeover (Davis and Greve, 1997).

Owners protested vigorously the encroachment on their property rights and the potential losses from unconsummated takeovers. Notably, the most vocal owners were not wealthy families but pension funds such as the College Retirement Equities Fund (CREF) and the California Public Employees Retirement System (CalPERS). The ambiguity of the class interests at play in takeovers was highlighted by the rhetoric of the contending parties when managers and owners disagreed on issues of corporate control. When adopting poison pills or lobbying state legislatures for legal protection, corporate managers routinely cited the devastation wrought by hostile takeovers and their obligations to protect employees, communities, and other “stakeholders” in the corporation. Pension funds were not swayed by such sentimentality and argued—with some success in the policy arena—that their property rights came first (Davis and Thompson, 1994). The period of owner irrelevance described by Dahrendorf had been replaced by owner hegemony. Yet the hegemonies are largely pension fund administrators and other fund managers, not elites with inherited wealth. Because the performance of the funds they manage is fairly objective, almost anyone in their positions would articulate the same interests. It takes no special enlightenment for them to recognize the interests associated with their role, or to construct devices for pursuing them. But most importantly, they can in no sense be identified with the corporate executives to whom their funds are entrusted, nor can they be identified with the wealthy individuals who live off the fruits of their own investments. Their class location may be contradictory, but their influence on the course of business is substantial.

Why the economic theory of the firm is not much help

Economic activities are not meaningfully bounded within corporations, and pressures from financial markets—both from institutional investors and more disembodied sources—drive

the decisions of those who run corporations. Both shifts create problems of relevance for organization theory.

There exists a theoretical approach with a surprising amount of surface relevance for approaching these problems. It is the agency theory or contractarian approach to the corporation, which developed primarily within the school known as law and economics. The approach begins with the assertion that the “separation of ownership and control” described by Berle and Means (1932) cannot have the consequences they attributed to it, that is, managers with substantial discretion to run corporations in ways harmful to investors. Rational investors (principals) would shun corporations without safeguards against self-dealing managers, and thus such corporations would be selected out. Managers (agents) know thus and thus create organizational structures that demonstrate their corporations’ fitness as an investment vehicle (Easterbrook and Fischel, 1991). Indeed, the structure of the corporation and the institutions in which it is embedded (corporate and securities law; financial markets; the “market” for takeovers) embody attempts to resolve the divergence of interests between shareholders and managers. Some practices are voluntary adaptations to demonstrate fitness (e.g., appointing a hard-headed former Secretary of State to the board of directors to be a credible watchdog), while others are devices evolved to institutionalize the resolution of conflicts (e.g., corporate law; the takeover market). But understanding institutional resolutions of the inherent conflict between owners and managers is the central agenda of the approach.

The contractarian approach also has an ontological appeal, as it questions the meaningfulness of the boundaries of organizations rather than assuming firms to be bounded units. Initially, this was stated as a critique rooted in methodological individualism (that is, the view that theoretical explanations must ultimately be reducible to the actions of individuals):

...most organizations are simply *legal fictions which serve as a nexus for a set of contracting relationships between individuals*.... Viewed in this way, it makes little or no sense to try to distinguish those things which are 'inside' the firm (or any other organization) from those that are 'outside' of it. There is in a very real sense only a multitude of complex relationships (i.e., contracts) between the legal fiction (the firm) and the owners of labor, material and capital inputs and the consumers of output.... We seldom fall into the trap of characterizing the wheat or stock market as an individual, but we often make this error by thinking about organizations as if they were persons with motivations and intentions. (Jensen and Meckling 1976: 310-11, emphasis in original)

This view of the organization as nothing but a set of contracting relations matches well with the types of network organizational structures we described previously. In the contemporary economy, “The question is not when is a nexus-of-contracts *a firm*, but when is it *more firm-like*” (Demsetz, 1991). Rather than “assuming an organization,” this approach assumes a set of markets instead.

Strong selection pressures from both product and capital markets insure that corporate structures are reasonably efficient, if not optimally so. Thus, the most prevalent institutional features of the corporate economy can be assumed to serve some discernible economic function (Easterbrook and Fischel, 1991). The separation of ownership and control, long regarded as an unavoidable cost of large size, was re-interpreted as an efficient division of labor between those who were good at managing but had little capital and those who didn't know how to manage but were good at owning. Moreover, the fact that the corporate equivalents of elections are run by management and the board and typically yield nearly-unanimous support for the policies of the incumbent board is not a problem but a virtue. The costs to shareholders of gathering the information to vote intelligently are not outweighed by the benefits, and thus “investors in public firms often are ignorant and passive” for good reason (Easterbrook and Fischel, 1991: 11). If the prospective benefit of gathering more information outweighed the cost, someone would do it. Moreover, passive shareholders are protected by a phalanx of mechanisms that protect their

investment without their active intervention. Managers compete among themselves to “add value,” and are rewarded appropriately. This competition in the managerial labor market redounds to the benefit of shareholders (Fama, 1980). Managerial labor markets are complemented by director labor markets, where those most vigilant and talented at finding worthy managers to promote are rewarded (Fama and Jensen, 1983). If all else fails, poorly run firms will be punished with low share prices, inviting takeover by more talented managers (a process known as the “market for corporate control”; Manne, 1965). The end result is that we dwell in the best of all possible worlds, where only fit firms survive a Darwinian competition for capital (see Easterbrook and Fischel, 1991: Chapter 1 for a compact summary).

Recognizing that considerations of corporate finance (how corporations get the money to fund what they do) provide the motor of institutional development is a useful first step in making sense of the governance of American corporations. But it is crucial to recognize that politics and social structures hold the steering wheel. An extensive critique has appeared elsewhere (Davis and Thompson, 1994), but we want to highlight the centrality of “contentious politics” (McAdam, Tarrow, and Tilly, 1996) to the evolution of the corporation. Even the most basic structural feature of the American corporation—the separation of ownership and control—is best explained by political struggles that resulted in the fragmentation of financial intermediaries. In contrast to banks in other industrialized nations, American banks have been relatively small, weak, and prohibited from intervening in the affairs of corporations. Allowing banks to expand nationally (rather than only within states) and to own shares in corporations would most likely have created institutions with the wherewithal to hold influential stakes in even the largest corporations. But small town bankers (who didn’t want the competition), populists (who didn’t trust concentrated economic power), and professional managers (who appreciated the autonomy

afforded by dispersed shareholders) repeatedly induced legislators to prevent such developments (Roe, 1994).

Political events of the late 1980s caused even the most devoted contractarians to re-evaluate their faith in the efficacy of American corporate governance and in the causal primacy of markets in shaping corporate structures (see Jensen, 1993). The agency approach requires a selection mechanism to ensure that the strong survive and the weak perish, and the favored institution is the so-called market for corporate control. By hypothesis, firms that don't live up to their promise suffer low share prices, giving incentives to more talented managers to buy and rehabilitate these undervalued assets. The existence of predators (corporate raiders) is argued to keep the prey on their toes, while the consequences of allowing firms to avoid deserved takeovers (e.g., by enabling boards to adopt poison pills) are dire. Thus, "Protected by impenetrable takeover defenses, managers and boards are likely to behave in ways detrimental to shareholders...The end result, if the process continues unchecked, is likely to be the destruction of the corporation as we know it" (Jensen, 1988: 347). It would be as if gazelles learned how to erect electric fences to keep out the lions. Yet this electric fence scenario happened on a vast scale, as more than 40 states passed laws making it difficult to take over local corporations—in virtually every instance, at the behest of groups of the managers of local corporations, typically making common cause with labor organizations through an impromptu social movement (Davis and Thompson, 1994).

The most contentious case, and also most informative, was the Pennsylvania statute of 1990. In late 1989 the Belzberg brothers, notorious corporate raiders from Canada, threatened Armstrong World Industries with a takeover. Pennsylvania had been hard-hit by takeovers in the 1980s, most notably when Chevron acquired Gulf in 1984, closing Gulf's Pittsburgh

headquarters and eliminating thousands of jobs. Thus, there was considerable sympathy when Armstrong's management sought restrictive anti-takeover legislation that would have made it essentially impossible to take over a Pennsylvania firm without seeking its board's approval. As happened in other states, Armstrong was joined by the Pennsylvania Chamber of Commerce and Industry as well as by labor representatives and local public officials in supporting the bill. Faced with such support, the bill sailed through the state Senate with little debate and a final vote of 45-4. However, hearings in the state House mobilized substantial opposition from investors, academic lawyers and economists, newspaper editorialists, and the Chairman of the Securities and Exchange Commission. *Wall Street Journal* editorialists accused the state of "expropriation;" the *New York Times* stated the law "intimidates legitimate challengers by penalizing them if their buyout offers fail;" and a local attorney stated "The law undermines and erodes free markets and property rights. From this perspective, this is an anticapitalist law."

Recognizing that they were sure to lose a clash perceived as "communities vs. markets," the Belzbergs hired The Analysis Group, a consulting organization with academic affiliates, to research and explain the potential impact of the law using economic science. Legislators received a letter denouncing the bill signed by a group of law and economics scholars organized by an Analysis Group affiliate. The Belzbergs successfully ran Michael Jensen (a noted agency theorist at Harvard Business School and Analysis Group affiliate) as a dissident for the Armstrong board. But the most interesting opposition to the law came from institutional investors. Officials of the two major Pennsylvania public pension funds strongly opposed the bill, with the chairman of the Public School Employees' Retirement System labeling it a "disaster" that would "lower the stock values of Pennsylvania corporations," and other pension funds voicing similar concerns. And in what was perhaps a first, institutional investors

threatened a “capital strike”—that is, to systematically divest ownership in Pennsylvania corporations if the law were to pass.

Legislators, however, were more swayed by local business and labor leaders than by nonlocal academics and investors, and the bill passed the House 181-11. Researchers attributed a roughly \$4 billion loss in the stock market value of Pennsylvania corporations to the bill. And in part as a result of such laws, the prevalence of hostile takeovers declined substantially during the 1990s: whereas there were 83 takeover bids for Fortune 500 firms from 1981-1986 (most hostile), there were 17 from 1991-1996, and only five could be considered hostile (Davis and Robbins, 1999). In short, the gazelles had erected their fence.

The implications of organized contention among management, labor, and capital are many. For the contractarian approach, it is evident that selection regimes are themselves political choices, and that those running corporations can be well-organized and effective in influencing these choices. We can't understand why we have the corporations we do without unpacking the politics. But politics is embedded in social structures that shape whether, when, and how collective action occurs, and how effective it is (Tilly, 1978). It is here that the relevance of social movement theory becomes apparent for the study of the new economy.

Using social movement theory to understand the new economy

We have argued that changes in the organization of production and the expanding scale and scope of financial markets create fundamental problems for organization theory as it applies to the contemporary American economy. Approaches such as resource dependence theory and population ecology take organizations to be basic units of analysis. As units, organizations are born, they manage interdependence with other organizations, and eventually they die. Their

inner workings and vital rates structure the careers and life chances of their members. Building on this notion, Perrow (1991) envisions a “society of organizations” in which economy and society consist of (large) organizations. Of course, organization theorists have recognized that treating organizations as bounded units was a form of reification, as organizations rarely encompass their members fully (see Pfeffer and Salancik, 1978: 29-32). Such reification was simply a justifiable cost of doing business as an organization theorist. But we have argued that the imagery of organizations-as-units has finally become more misleading than enlightening, leading one to ask the wrong kinds of questions and use the wrong kinds of mechanisms to make sense of the social structure of the economy. The contractarian approach to the corporation, widely embraced in law and economics, has some appeal but misses essential processes of social change. This is particularly the case when one considers times of economic upheaval, when institutional structures themselves (such as “selection regimes”) are in flux.

The challenge, then, is to find an appropriate theoretical vocabulary to describe and explain the types of economic structures that the new economy has brought us. Making sense of the constitution of new social structures during times of economic and social upheaval is familiar turf for students of social movements. Much of the work has been on the first two industrial revolutions, but there is no obvious reason why the so-called third industrial revolution currently underway cannot be understood using the same tools. The dynamics of episodic collective action, for instance, seem to us to be precisely parallel to those of episodic economic production. Participants are not “members” bound by inclusion and subject to the authority of a leader, but “citizens” who may be persuaded to act in concert voluntarily. Thus, the conceptual kit bag of social movement scholars (e.g., mobilizing structures, framing processes, perceived opportunities and threats, repertoires of contention) is equally relevant to an analysis of the emerging forms of

economic action. Moreover, the assumptions characteristic of much social movement theory are consistent with the previous critique: boundaries around social units are problematized; interests and grievances are to some degree socially constructed rather than transparent; and the kinds of mobilizing structures are path dependent. And the questions that arise in understanding social movements are analogous to those concerning new forms of organization: how is collective action coordinated when participation by "members" is impromptu and impermanent; what are the characteristic routines of collective action likely to be shared by potential participants; and how do pre-existing social structures (such as networks) influence when and where collective action will occur.

We see, in short, a strong analogy between the processes of mobilization for collective action in social movements and in contemporary business organizations. Mayer Zald and Michael Berger (1978) drew a similar parallel over 20 years ago in their pathbreaking analysis of social movements *in* organizations. Our focus is somewhat different: we see contemporary economic organizations *as* social movements, that is, forms of more-or-less episodic forms of more-or-less coordinated collective action. We argue that contemporary theory about social movements provides constructs and a vocabulary attuned to the types of actions and actors that we have described:

Actors, in this view, are not neatly-bounded, self-propelling entities with fixed attributes, but concentrations of energy that interact incessantly with surrounding sources of energy, and undergo modifications of their boundaries and attributes as they interact. Actions consist not of self-deliberated emissions of energy but of interactions among sites. Identities do not inhere in fixed attributes of such sites, much less in states of consciousness at those sites, but in representations of interactions and of connections between those sites and the interactions in which they are involved. Contentious politics does not simply activate pre-existing actors and their fixed attributes, but engages a series of interactive performances that proceed through incessant improvisation within broadly-defined scripts and organizational constraints (Tilly, 1998: 3).

Theories about organizations and social movements share a common agenda of making sense of more-or-less routinized collective action—its sources, structures, and outcomes. Thus, there has been some interchange among these two traditions (see Zald and Berger, 1978; Clemens, 1993; Minkoff, 1997; and particularly Koput, Powell, and Smith-Doerr, 1997). To the extent that economic action comes to look like contentious politics, we expect that theory about social movements will be applicable to the traditional domain of organization theory. We make our case by comparing the emergence of a national movement to its analogue with industry emergence, and by examining parallels between the periodic mobilization of routine contention and project-based production. In both cases, we illustrate the applicability of social movement theory to contemporary economic structures. Both strike us as relevant to the search for causal analogies between social movements and formal economic organizations.

The Origins of Social Movements

A fairly strong consensus has emerged among scholars of social movements around the question of how social movements arise. Increasingly, one finds scholars emphasizing the importance of the same broad sets of factors in analyzing the origins of collective action. These three factors are: 1) an expansion in the political opportunities or threats confronting a given challenger; 2) the forms of organization (informal as well as formal) available to insurgents as sites for initial mobilization, and 3) the collective processes of interpretation, attribution and social construction that mediate between opportunity/threat and action. We will refer to these three factors by their conventional shorthand designations: political opportunities/threats, mobilizing structures, and framing processes.

Expanding Political Opportunities or Threats. Movement scholars have come to believe that under conditions of relative political stability, excluded groups, or challengers, rarely mobilize. Instead movements arise when broader change processes serve to either significantly threaten the interests of challengers or render the existing regime newly vulnerable or receptive to challenger demands. Expansions in political opportunity or threat accompany any broad change process that serves to significantly undermine the calculations and assumptions on which the political status quo. Among the events and processes especially likely to destabilize the status quo are wars, rapid industrialization, international political realignments, economic crises of various sorts, and mass migrations or other disruptive demographic processes.

Extant Mobilizing Structures. If destabilizing changes to the structure of institutionalized politics shapes the likelihood of collective action, the influence of such changes is not independent of the various kinds of mobilizing structures through which groups seek to organize and press their claims. The term mobilizing structures refers to those collective vehicles, informal as well as formal, through which people mobilize and engage in collective action. These include groups, formal organizations, and informal networks that comprise the collective building blocks of social movements. The shared assumption among movement scholars is that changes in the system of institutionalized politics only afford challengers the *stimulus* to engage in collective action. It is the organizational vehicles available to the group at the time the opportunity or threat presents itself that conditions its ability to respond to this environmental stimulus. In the absence of such vehicles, the challenger is apt to lack the capacity to act even when motivated to do so.

Framing or other Interpretive Processes. If a combination of opportunity/threat and mobilizing structures affords a potential challenger a certain structural potential for action, they

remain, in the absence of one final factor, insufficient to account for emergent collective action. Mediating between opportunity/threat and action are the shared meanings and cultural understandings that people bring to an episode of incipient contention. At a minimum people need to feel aggrieved and/or threatened by some aspect of their life and at least minimally optimistic that, acting collectively, they can redress the problem. Conditioning the presence or absence of these perceptions is that complex of social psychological dynamics—collective attribution, social construction—which David Snow and various of his colleagues (Snow et al., 1986; Snow and Benford, 1988) have referred to as *framing processes*. When the cognitive and affective byproducts of these processes are combined with opportunity/threat and sufficient organization, chances are very good that collective action will develop.

Though there is consensus among movement scholars regarding the basic factors that condition the initial mobilization of a social movement, such a framework does not by itself constitute a dynamic model of movement origins. How these factors combine to trigger initial mobilization and by what intervening mechanisms is less clearly specified in contemporary movement theory. To redress this deficiency, the second author has recently proposed a modified version of this basic framework in which the “static list of factors” has been replaced by a set of contingent, dynamic relationships which are thought to predict the onset of “episodes of contention” (McAdam, 1998). This modified framework is sketched in Figure 2.

Insert Figure 2 about here

Figure 2 depicts movement emergence as a highly contingent outcome of an ongoing process of interaction involving at least one set of state actors and one challenger. But while McAdam focuses on social movements at the state level, we think the perspective can be usefully

deployed to account for the rise of innovative strategic action among any social actors, including organizations. In our view, the framework can be readily adapted to analyzing emergent innovation within any relatively coherent system of institutionalized power (e.g. an industry, a single firm, etc.). In Figure 3 we have adapted the model to fit the case of innovative economic action within an industry.

Insert Figure 3 about here

Applying Social Movement Theory: Industry Emergence

Figure 3 attributes innovative economic action—such as industry emergence—to a highly contingent process in which destabilizing changes (typically exogenous to the field in question) set in motion a sequence of linked mobilization dynamics. The remainder of this section is given over to a discussion of this general sequence. To make the discussion less abstract, we will use a single case—the emergence of the contemporary media industry—to illustrate the more general analytic claims being advanced.

Referring to the media as an industry is something of an act of reification, as some analysts count at least seven separate industries as constituents of the “communications” industry: television broadcasting, film studies, cable TV, telecommunications, computers, consumer electronics, and publishing (Auletta, 1998). The identities of the core players are remarkably labile, and their web of affiliations is dense and tangled. We mentioned Westinghouse’s transformation from old-line industrial conglomerate to broadcaster. GE entered the broadcasting industry via its purchase of NBC, and Disney through its purchase of Capital Cities/ABC. Seagram, the venerable purveyor of alcoholic beverages, became a filmmaker and

amusement park operator through its purchase of Universal, and expanded its presence in the music industry through its acquisition of Polygram. Sony expanded from consumer electronics to music and movies. Formerly clear distinctions between industries and media have collapsed as television shows spawn movies (and vice versa), newspapers publish on the World Wide Web, and characters created for movies are merchandised through toys, software, books, fast food, theatrical productions, and other forms of branded merchandise. (Disney's film "The Lion King," for instance, was merchandised through 186 different products and turned into a Broadway show.)

What is occurring is the emergence of a global meta-industry out of the confluence of new communication and computing technologies, deregulation in the United States, and privatization elsewhere. The identities and dominance ordering of the core players in the sector are subject to dramatic variations as long-established participants from constituent industries are overshadowed by new challengers, often from previously adjacent industries. To take a shopworn example, the World Wide Web did not exist in 1990 yet has helped spawn a vast outpouring of new businesses and new mini-industries. The market capitalization of Amazon.com, an on-line bookstore that began operations in 1994, exceeded those of Barnes & Noble and Borders combined four years later. The list of new billion-dollar communications companies is long. Conversely, older players (such as the three broadcast networks) fall further behind as the new economic order takes shape.

Currently there is an inherent and irreducible unpredictability that undermines the calculations of participants tenured under the old regime in the media industry. Figuring out what to do and how to structure oneself in order to succeed appear to hinge more on blind luck than high-level strategizing. Technological advances undermine traditional sources of monopoly

power and erode industry boundaries. Television programming can be delivered over phone lines; phone calls can be sent over the Internet; Internet connections can be achieved through television cables; “cable” programming can be delivered via satellite. Even such basic matters as morphology elude description: an initially helpful parsing of the communications industry into “channels” (or “distribution”) and “content” (or “software”) began to lose its analytical value as content providers (such as Disney) integrated into channels and channels (such as Microsoft) integrated into content. There is no settled model of what a “communications” corporation should look like due to the pervasive uncertainty around the industry, and thus the shifting portfolios of the major participants (chosen from among film studios, newspapers, amusement parks, satellite delivery systems, sports teams, broadcast networks, and so on) represent diverse models of appropriate corporate practice.

Television broadcasting had perhaps the most stable dominance ordering among the constituent industries going into the 1980s. Three incumbents formed an oligopoly capturing upwards of 90% of the total viewing audience, and challengers were peripheral. For these broadcasters, a fundamental exogenous change came with the spread of cable television, which offered alternative means of distribution for “content,” and thus an opportunity for challengers. The rhetoric of challengers seeking to take advantage of this opening at times took on a populist tone: in appearing before Congress in 1976 to seek support for launching a national “superstation,” Ted Turner said:

You have to remember there are three supernetworks...that are controlling the way this nation thinks and raking off exorbitant profits...They have an absolute, a virtual stranglehold, on what Americans see and think, and I think a lot of times they do not operate in the public good. I came into the independent television station business because I believe there should be more voices heard than the network voices out of New York... (quoted in Guthey, 1997: 191).

The threat from cable initially roused little concern from the established broadcasters. The offerings seemed laughable: a 24-hour news channel with no-name anchors and bargain-basement production values; a station that showed promotional videos for rock bands around the clock; an outlet where hawkers sold merchandise via a toll-free number. Within a few years, of course, CNN, MTV, and QVC grew enormously, largely at the expense of the broadcast networks. By 1997, the parents of these three (Time Warner, Viacom, and TCI) each far outstripped the venerable CBS in revenue and influence. Thus, what challengers recognized as opportunities went unrecognized as threats by incumbents until well into the process. By June 1998, more people tuned in to cable programming than the offerings of the four largest broadcast networks combined (CBS, NBC, ABC, and Fox).

How was this upheaval accomplished? The empirical literature documenting the emergence of social movements suggests that movements most commonly arise through the appropriation of existing organizations for new purposes rather than through the founding of entirely new organizations. The most famous instance of this was the transformation of the black church in the South from a generally conservative institution into a key mobilizing structure in the civil rights movement. This required a shift in the churches' missions, from an orientation to the afterlife to a focus on social justice. Similar processes occur in the media, as porous boundaries among communications industries allowed organizations in one industry to launch entries into other industries. Biographies of some of the most successful communications companies demonstrate this organizational "appropriation." Rupert Murdoch parlayed a small Australian newspaper that he inherited from his father into the \$11 billion News Corporation, which owns 20th Century Fox, the Fox Network, numerous newspapers, magazines, and book publishers, several sports teams, satellite broadcasting systems covering much of the globe, and

has interests in over 90 television channels. Ted Turner used his father's billboard business as a vehicle to buy a UHF station that begat the "superstation," CNN, and other successful cable ventures (see Guthey, 1997 for a critical recounting of the Turner legend). Edgar Bronfman Jr. turned his family business—Seagram—from a purveyor of beverages to a media behemoth through acquisitions and divestitures.

The result of the ongoing re-configuration of the largest media firms has been that organizational boundaries are resolutely tentative, essentially fictions. Where conglomerates have all but disappeared in American manufacturing, de-regulation in the US has allowed the construction of global media "conglomerates" stretching across conventional industry and geographic boundaries. Moreover, because each of the largest participants in the media industry maintain eclectic portfolios of "channels," "software," and "hardware," it is quite common to see corporations that are fierce competitors in one domain creating alliances in another. For example, the film *Titanic* was co-produced by Fox and Viacom's Paramount and spawned a soundtrack by Sony, a behind-the-scenes book by News Corporation's HarperCollins, and will be broadcast on Time Warner's HBO (Rose, 1998). The television series *Buffy, the Vampire Slayer* was produced by News Corporation's Twentieth Century Fox, broadcast on Time Warner's WB, and spawned a soundtrack CD released by Sony and a series of "novelizations" published by Viacom's Simon and Schuster. An analyst at PaineWebber noted that "These companies no longer make films or books. They make brands," lumps of content that can be exploited through a set of their own and other's distribution channels (*The Economist*, May 23 1998). Ken Auletta describes the resulting skein of interconnected communications firms as a "global keiretsu" of mutual backscratching (1998: 286). Just as shifting coalitions of movement organizations routinely mobilize to bring off protest actions, the relevant unit of analysis for the

media industry is the *project*: a one-time production (broadly defined) created by temporary alliances that may or may not be followed by similar productions, according to circumstance.

Thus, the emergence of the late twentieth century media industry parallels the emergence of a social movement in several important respects. It evolved from a relatively stable configuration of powerful incumbents through a period of turbulence in which challengers took advantage of exogenous shifts in the industry's opportunity structure to launch their alternatives. Challengers, often using organizational vehicles in adjacent industries (billboards, newspaper publishing, film production, and others) ultimately brought about the re-shaping of the media industry and the constitution of new rules of engagement rooted in innovation through collaboration. In this way, the media industry came to share important similarities with industrial districts, in which the "project" rather than the organization is often the more relevant unit of analysis when making sense of episodic production structures.

Routine Movement Activity

In their preoccupation with explaining the rise of broad national movements (Costain, 1992; McAdam, 1982), "protest cycles" (Tarrow, 1989), or revolutions (Goldstone, 1991; Skocpol, 1979), theorists of social movements could well be accused of focusing on the exceptional, rather than typical, in the study of collective action. Thus, one might argue that technological revolutions of the sort that have transformed the entertainment industry are rare events that are hardly typical of "normal" economic life. What, critics may ask, about more "routine" economic activity?

In the contemporary democratic West, the modal form of movement activity looks very different from the broad, highly dramatic, often consequential episodes of national contention

that scholars of social movements and revolutions have tended to study. In fact, against the backdrop of these exceptional episodes, one can discern a steady stream of more routine local movement activity. Drawing on recent literature (McAdam, 1998), we briefly sketch an analytic framework for describing this general class of efforts. In our view, such a framework should include a concern with: (a) the nature of local mobilizing structures; (b) the importance of culturally available collective action repertoires; and (c) the typical spurs to local movement activity. We take up each of these topics in turn.

Local Mobilizing Structures. One of the keys to the emergence of national social movements or revolutions is what we have termed “social appropriation.” By social appropriation we mean the processes through which previously organized, but non-political groups come to be defined as appropriate sites for mobilization. For example, in the case of the U.S. civil rights movement, it was the mobilization of black churches (and later black colleges) that keyed the movement’s rise. But routine local mobilization does not depend upon or generally feature this kind of social appropriation. More often, local movement activity turns on the periodic activation of loose personal networks of “career activists.” These networks are very likely to have arisen during a peak period of national mobilization of the sort we described in the previous section. But long after that “protest cycle” has run its course, these loose networks survive, providing the mobilizing structure within which most local activism gets generated. At times the nominal vehicle through which action gets generated will be a formal social movement organization (SMO), but more often than not these SMOs are little more than “paper” organizations with few members outside the network of “career activists” mentioned previously.

This loose activist network is typically well known to city officials and other institutionalized segments of the community. So, for example, left activist networks in the U.S.

will generally have fairly strong ties to liberal churches, social service agencies, local unions, and whatever institutions of higher education may exist in a community. Right-wing activist networks are also hooked in to local institutional spheres, but of a very different mix than those of their liberal/left counterparts. Right-wing networks can be expected to have fairly strong ties to conservative churches, veterans groups, and certain kinds of service organizations.

We mention these overlapping network/organizational spheres because they constitute the fields within which most local mobilization takes place. The initial stimulus to action generally arises within the activist networks themselves, with the related organizational spheres providing available pools within which the activists can seek to assemble the “transitory team” (McCarthy and Zald, 1973) needed to stage whatever march, protest, vigil, petition campaign, or other collective action they have in mind. The contrast with the broad national movements or “protest cycles” discussed above is stark indeed. Whereas the latter constitute a clear departure from normalcy, the kind of periodic local mobilization we are discussing here is very much “business as usual,” embedded as it is in fairly stable interpersonal/organizational networks and well understood cultural/behavioral routines.

Culturally Available Collective Action Repertoires. A second key element in social movements is what Tilly (1995: 41) called the “repertoire of contention,” that is, “the ways that people act together in pursuit of shared interests.” Although straightforward sounding, there is an interesting cultural problematic inherent in the selection and application of forms of contention. As Tilly put it back in 1978 (p. 151): “[a]t any point in time, the repertoire of collective actions available to a population is surprisingly limited. Surprisingly, given the innumerable ways in which people could, in principle, deploy their resources in pursuit of common ends. Surprisingly, given the many ways real groups have pursued their own common

ends at one time or another.” When it comes to real world collective action, the seeming vast variety of action forms turns out to be quite limited. In the final analysis, all groups are constrained in their choice of tactics by the forms of contention culturally available to them. By culturally available we mean two things: (1) that the group has some working knowledge of the form, and (2) that the form enjoys a certain cultural legitimacy within the group. The first of these constraints—what might be termed the informational constraint—has been noted by any number of analysts (Tarrow, 1998; Tilly, 1978, 1992, 1995), but the second has been largely absent from writings on the concept of repertoire. But, in our view, illegitimacy constrains as surely as a lack of knowledge (cf. Meyer and Rowan, 1977). Thus, even if a group knows of a tactic and perceives it to be effective, it will avoid using it if it sees it as culturally beyond the pale.

Routine Mobilization of Organized Economic Activity

What do local mobilizing structures and culturally available action repertoires have to do with economic production? We argue that episodic collective action rooted in the social networks of local players and taking the characteristic forms given in the local repertoire describes much contemporary economic activity as practiced in, for instance, Silicon Valley. “Industrial district” was Alfred Marshall’s term for the spatially clustered networks of (mostly small) firms that concentrated on a specific industry or set of related industries. Sheffield had steel, Lyon had silk, and Santa Clara County, California has microelectronics. Industrial districts are distinguished by the fact that geographic boundaries supercede organizational ones in analytical importance. Piore and Sabel (1984: 32) describe the system in Lyon:

The variability of demand meant that patterns of subcontracting were constantly rearranged. Firms that had underestimated a year's demand would subcontract the overflow to less well situated competitors scrambling to adapt to the market. But the next year the situation might be reversed, with winners in the previous round forced to sell off equipment to last year's losers. Under these circumstances, every employee could become a subcontractor, every subcontractor a manufacturer, every manufacturer an employee.

The ability to size up the character of potential partners was regarded as critical to an individual's (or firm's) success. But perhaps more importantly, the district relied on a set of rules of fair behavior that constrained participants from taking short-term advantage of each other and favored the long-term vitality of the district. Such rules are not laws, and thus are not literally a property of a municipality. But nor are they properties of firms. Rather, they are more like an institution that provides mutual benefits to participants.

Silicon Valley has many characteristics of an industrial district, as described in AnnaLee Saxenian's (1994) book *Regional Advantage*. In the computer industry (broadly construed), rapid changes in technology and markets made it impractical for vertically-integrated firms to maintain a technical edge across all components. Specialist firms have little choice but to keep abreast of their area of specialization, both technically and in terms of price. According to Intel CEO Andy Grove, "Anything that can be done in the vertical way can be done more cheaply by collections of specialist companies organized horizontally" (Saxenian, 1994: 142). Thus, computer firms in the 1980s created collaborative relationships with their most important suppliers, all of which had a mutual interest in the success of the final product. Being located in the same geographical region facilitated frequent face-to-face contact and the development of trust. As in Lyon, the ability to size up potential partners effectively was critical for success. Again, shared understandings of the rules of the game (the local culture) made the construction of production networks feasible. The relatively short lifespan of any given project (e.g., a

particular generation of a computer line) implied that partners were likely to meet again on the next round, further bolstering the incentives for consummate cooperation (cf. Axelrod, 1984). “The system’s decentralization encourages the pursuit of multiple technical opportunities through spontaneous regroupings of skill, technology, and capital. Its production networks promote a process of collective technological learning that reduces the distinctions between large and small firms and between industries or sectors” and largely dissolving the boundaries between firms (Saxenian, 1994: 9). For instance, in creating Sun’s workstations, “...it was difficult and somewhat pointless to determine where Sun ended and Weitek or Cypress [two of its suppliers] began. It was more meaningful to describe Sun’s workstations as the product of a series of projects performed by a network of specialized firms” (Saxenian, 1994: 145). Nearly any new firm can claim the advantage of state-of-the-art manufacturing simply by “buying” this function from a contractor, arguably creating a virtuous cycle of innovation.

This project-based dynamic extends even to manufacturing: to a surprising degree, high technology “manufacturers” contract out much of the actual assembly of their products to firms specializing in manufacturing. Formerly known as “board stuffers,” firms such as Flextronics, SCI Systems, and Solectron do much of the assembly for “original equipment manufacturers” (sic) such as Hewlett Packard and Sun Microsystems and enable start-ups to grow rapidly by providing a ready manufacturing base. Contractors routinely manufacture products for competing OEMs, but this is seen as having a collective benefit for the larger community as well as individual firms: “All of Solectron’s customers benefited from learning that would formerly have been captured only by individual firms. Moreover, lessons learned in manufacturing for firms in one sector were spread to customers in other sectors, stimulating the diffusion of process innovation from industry to industry” (Saxenian, 1994: 154). Considering again Demsetz’s

question “when is a nexus-of-contracts *more firm like?*”, some commentators are driven to ask whether all of Silicon Valley itself (rather than any of its constituent) is properly thought of as a “firm” (Gilson and Roe, 1993). By Saxenian’s account, it is this boundarylessness that is largely responsible for the economic success of Silicon Valley, whereas the bounded firm, mass production culture of Route 128 in Massachusetts is to blame for that region’s waning performance in high technology.

The high technology production networks of Silicon Valley might have taken on any number of forms. In practice, however, these networks follow a relatively constrained set of repertoires. As Mark Suchman’s work shows, local law firms, particularly Wilson Sonsini Goodrich & Rosati in Palo Alto, acted to compile “pre-processed infusions of relevant know-how.” “Such information intermediaries act as interorganizational pollinators—monitoring various pools of constitutive information, determining which structures are ‘appropriate’ for whom, and compiling summary conclusions in the form of neat, cognitively coherent templates for action” (Suchman, 1998: 49). Law firms acted as veritable computer dating services, matching entrepreneurs, managers, technical talent, and capital suppliers for new ventures from within the broader social network of the Valley. The governance structures of these projects (as indicated by venture capital financing contracts) became increasingly homogeneous over time, particularly within Silicon Valley compared to other locations (Suchman, 1995).

In short, the recurrent mobilization of episodic production through networks of economic “activists,” following locally familiar (and legitimate) repertoires, directly parallels the routine mobilizations of social movement activists. The production of new firms, like the production of social movements, takes the form of routinized, episodic collective action.

Conclusion

The traditional focus in organization theory on corporations as bounded, sovereign, countable units of social structure (Scott's [1998] "high modernism") is a poor fit with the emerging nature of the new economy. We identified two trends in particular as undermining the applicability of traditional organization theory: the increasingly "boundaryless" nature of production processes, and the expanding scale and scope of financial markets and the resulting hegemony of their evaluative standards. Our critique of resource dependence theory and population ecology demonstrates the limits of describing the contemporary corporate sector in the United States using the vocabulary of organizations-as-units. Old constructs and mechanisms—such as organizational birth, death, structural inertia, and managing interdependence through mergers and interlocks—provide little explanatory leverage in a world of fluid production structures and hypertrophied financial markets. We also find the new (contractarian) theory of the firm in economics to be remarkably weak in characterizing changes in the American corporate sector. Although there can be little doubt that financial concerns are the North Star of corporate decision making, it is equally evident that the structure and evolution of the corporation result from political choices and social processes that the contractarian approach is ill-equipped to theorize. Making sense of the evolving structures of the new economy requires an approach that does not end with either organizations or markets alone.

We have argued that social movement theory provides an approach that is more fitting for the post-industrial economy. Like contemporary production structures, the boundaries around social movements are fluid, and impromptu productions follow regular processes of mobilization among participants choosing from among repertoires of legitimate forms of collective action. We compared the emerging media industry to the emergence of a national social movement, and

the network economy of Silicon Valley to the routine local movement activity. We found striking parallels. As anticipated by Zald and Berger (1978), forms of coordinated collective action, whether through "organizations" or "movements," are ultimately susceptible to the same forms of analysis. As collective economic action becomes increasingly episodic, rather than following the routine forms of the integrated organization, the explanatory balance tilts in favor of social movement theory. Our argument, however, is ultimately to be judged on the fruitfulness of the work it stimulates. That is, will adopting the theoretical vocabulary of social movement theory lead researchers to ask more insightful questions than a vocabulary that begins with organizations? We think it will, but to this point we have offered only two very broad phenomena—movement and industry emergence and the routine mobilization of local movement/economic activity—for analogous theorizing. We want to close the paper on a more modest note, by identifying specific research topics that might demonstrate parallels (and differences) between social movement and contemporary economic activity.

The first centers on recruitment to emergent economic and/or movement activity. If much contemporary economic activity really is more ephemeral and network driven than traditional theories of organizations suggest, then the processes by which these "transitory teams" (McCarthy and Zald) are assembled should resemble the network-based recruitment dynamics that have been the subject of so much social movement research (Briet, Klandermans and Kroon, 1987; Diani, 1995; Fernandez and McAdam, 1988; Gould, 1991, 1993, 1995; Kim and Bearman, 1997; McAdam, 1986; McAdam and Paulsen, 1993; Mische, 1998; Rosenthal et al., 1985; Snow, Zurcher, and Eklund-Olson, 1980). Roberto Fernandez (Fernandez and McAdam, 1988; Fernandez and Weinberg, 1997) is the only scholar we can think who has analyzed network based recruitment dynamics for both emergent movement and economic

activity, but we think there might be much to gain from approaching the study of participation in emergent economic projects using the conceptual frameworks and methodological tools movement researchers have developed in the study of movement recruitment.

A second phenomenon that lends itself to a search for dynamic analogies between contemporary movement and economic activity would be the strategic framing and other “representational” practices of movement and economic entrepreneurs. In a post-industrial service economy, what is “produced” is often not material products per se but perceptions and identities. Earlier we described Sara Lee Corporation’s decision to drop its manufacturing capacity in order to focus on managing its brands, which involves promoting perceptions of product quality and the social status of their purchasers. The “value added,” in short, is perceptual, flowing from the creation of distinctive and desirable identities. The management of perceptions is aimed not simply at consumers of products, of course, but also at other participant groups necessary to make a venture work, including (actual and potential) employees and (actual and potential) investors—often using rather different messages. Because the nature of the product is perceptual, “external” evaluations in such contexts are based largely on social rather than technical criteria (cf. Thompson, 1967). (Internet-based startup firms are only the most extravagant example, in which employees are recruited on the basis of the venture’s likely appeal to IPO investors, and investors are recruited based on the venture’s likely appeal to consumers.) Social movements are similarly in the business of producing perceptions and identities. Contenders making claims on incumbents engage in performances to demonstrate that, for instance, they are willing and able to disrupt political decorum to get what they want. In a recent article, Charles Tilly (1998: 15) argues that one of the central challenges confronting movement actors, and, by extension, motivating much everyday movement activity, is the need to

demonstrate WUNC; that a movement's constituents are *worthy, united, numerous, and committed*. Comparative ethnographic work on the framing and representational practices of movement and economic actors would help to tease out the similarities and differences in these two forms of action.

A third prospective area for comparative research, following from the previous one, concerns the recent parallel ascendance of "associations without members" and "hollow corporations." We have described how virtually any functional aspect of a business can be contracted out to a specialist firm, allowing the spread of "manufacturers" who neither design, build, or distribute their products and employ few people. An analogous development has happened with the rise of issue-oriented interest groups and social movements. As Skocpol (1999) describes it, civic involvement for many citizens in the United States once entailed membership in associations that held face-to-face meetings, elected leadership, and debated issues before coming to positions. "Leaders who desired to speak on behalf of masses of Americans found it natural to proceed by recruiting self-renewing mass memberships and spreading a network of interactive groups." Now, in contrast, "When a new cause (or tactic) arises, activists envisage opening a national office and managing association-building as well as national projects from a center. Even a group aiming to speak for large numbers of Americans does not absolutely need members. And if mass adherents are recruited through the mail, why hold meetings? From a managerial point of view, interactions with groups of members may be downright inefficient" (Skocpol, 1999: 71). Potential members—at least those with more money than time—find benefits to this "hollow" form as well: "Why should highly trained and economically well-off elites spend years working their way up the leadership ladders of traditional membership federations when they can take leading staff roles at the top, or express

their preferences by writing a check?" We anticipate that research on the dynamics of both hollow movements and hollow organizations will benefit from cross-fertilization.

Our final candidate for the comparative study of movements and organizations involves research on the diffusion of innovative ideas, practices, and organizational forms. Recognizing the emergent nature of movement activity, movement researchers have focused considerable attention on the diffusion of the various innovations produced by the "early risers" in a given "protest cycle" (Tarrow, 1998). Some have studied the spread of new protest tactics (Soule, 1995, 1997; McAdam, 1983; Meyer and Whittier, 1994; Tilly, 1995); others the diffusion of ideological frameworks (McAdam, 1995; McAdam and Rucht, 1993; Snow and Benford, 1992; Valocchi, 1998); still others the adoption of new organizational forms (Clemens, 1993). The diffusion of innovation has also been studied in the context of formal economic organizations, but to a much lesser extent than has been true for social movements. The reason: the general assumption of market efficiency has tended to obscure the role of social-cultural processes in the evolution of organizational characteristics and practices. The growing influence of the new institutionalism has begun to redress the neglect of this important topic, but we still feel that organizational scholars could benefit from the greater volume of empirical work on the topic by movement researchers.

We have focused on the parallels between economic organization and social movements, but we must also note the fertile ground for traditional social movements provided by contemporary economic transitions under the broad rubric of "globalization." As financial markets globalize and the demands they make on business organizations become more exacting, corporate governance—the set of institutions that determine the balance of power among owners, managers, and other constituencies of corporations—becomes a pressing issue of political

economy. As we argued above, these issues require political choices; for instance, the choice of whether to sell shares in a state-owned business, or whether to allow hostile takeovers, are made at the state level and therefore susceptible to popular influence. Both local and national movements have mobilized around issues of corporate governance raised by changes in ownership and control. In Germany, demonstrators pelted the CEO of steelmaker Krupp-Hoesch Group with eggs and tomatoes after Krupp announced a hostile takeover bid for rival Thyssen in March 1997. Shortly thereafter, 25,000 workers converged on Deutsche Bank headquarters in Frankfurt to protest Deutsche's part in helping to finance the bid, and German politicians successfully urged Krupp to abandon its foray into "cowboy capitalism" (Davis and Useem, 1999). Almost 100 years to the day after the 1898 US invasion of Puerto Rico, government workers led the biggest labor protest in the island's history, in which upwards of 500,000 workers joined in a two-day general strike that included demonstrations and a blockade of the highway to the international airport. The cause was the Governor's imminent sale of a controlling stake in the state telephone company to private investors led by GTE (*Wall Street Journal*, July 8, 1998). Similar mass protests have accompanied the attempts of South Korean chaebols to restructure through layoffs. The International Monetary Fund had required the institution of labor market "flexibility" as a condition for its bailout of the Korean economy, and the new president sought restructuring of the chaebols in order to attract necessary foreign investment. As the imperatives of global political economy and corporate governance become increasingly merged, national and international social movements will have an increasing influence on the social structure of economic life.

So much for our all too brief survey of potential topics for comparative movement/ organizations research. We do not claim that these topics exhaust those that might reveal the

increasing relevance of social movement theory and research to an understanding of economic action. At the same time, we are not certain what systematic comparative research of the sort we are proposing here will show. We have been deliberately provocative in this article, not so much because we know for certain how far various social movement theories can be applied to formal economic organizations, but to force organizational scholars to confront the theoretical challenges posed by the third industrial revolution. It now seems beyond dispute that a sea change is taking place in the locus, structure, and practices of large economic organizations. It seems just as certain that these changes are rendering traditional organizational theories less applicable to the realities of modern economic life. What theories will replace the older frameworks is not entirely clear. All we are calling for is a lively debate over the merits of various alternative perspectives. Social movement theory is one such alternative.

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