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Modern society is an organizational society. From birth in hospitals, to education in schools, to work in corporations, to burial, we exist in the shadow of complex organizations. At one time, the key organizational forms were family, community and occupation; now complex organizations are a defining attribute of modern society, with a wide range and variety of organizations and organizational arrangements.

Academic disciplines have responded to this transformation of society. The study of organizations, their connection to society, their impact on individuals, and their internal structure and process have become important topics. Although the study of bureaucracies, administration, and management can be traced back to the end of the nineteenth century, one of the most exciting developments in the social sciences in the last thirty years has been the growth and mushrooming of theory and research on organizations. This growth is much more than just a quantitative expansion. New theoretical perspectives have generated large research programs; new journals have been started; exciting debate about and deepening insight into organizations has occurred. For instance, population-ecology models of organization (Hannan and Freeman, 1977) have generated predictions and research on the survival of organizational forms under different environmental conditions. For another example, the "institutional" school of John Meyer and his collaborators (Meyer and Scott, 1983) has broken from the instrumentalist base of much early organizational theory. In the process we have learned a great deal about how the structure, personnel and norms of organizations are dependent upon societal processes that have little to do with economizing and production necessities.

The ferment in organizational theory and research extends well beyond sociology proper. In economics, the theory of the firm has developed a structure and a body. Principal-agent theory (Fama and Jensen; 1983), transaction cost theory (Williamson, 1975, 1985) and other approaches have allowed economists to tackle topics that were ignored or assumed away in earlier periods. The choice of organizational form, the tradeoffs among hierarchies, markets, and long term contracts are subject to analytic and empirical examination.

Decision theory has been enriched by loosening the time horizon and seeing decisions as part of a stream of decisions, retrospective reconstructions, shifting coalitions and the like. (See the various publications of J. G. March and his collaborators, for instance Harrison and March, 1986.)

Although this has been a period of real ferment and intensification in our understanding of organizations, most of the newer approaches do not explain the transformation of organizations in an historical context. The great transformation to an organizational society may be described by historians (see Chandler, 1962, 1977) but sociological, psychological and economic theories of organization and management proceed without reference to historical context and process. These newer approaches continue the nomothetic, a-historical cast of organizational theory and, for that matter, most of social science. Models are developed and propositions are stated as if they apply to all organizations in all societies, over an indefinite time span. Even if some gross distinctions are employed, such as public sector organizations, firms, or non-profit organizations, these categories are employed as if they have a timeless meaning. No historical characterization is given. The fact that the corporation as a legally bound institution is much different today than it was a century ago is ignored. Nor is there any attempt to place the analysis of organizations and their environmental dependencies in a historical and comparative socio-economic framework. Although there has been a growth of comparative studies of organizations, these are usually done in a static, synchronic framework (see Lammers and Hickson, 1979).

Now, if organizations were timeless entities whose structures and operations extended over long periods and across many societies, an exclusively nomothetic approach might be quite appropriate. Abstract models of organizational structure, coordination and control, or of organization-environment relations could be developed and applied to organizations of various concatenations of variables. In fact, we know that most of the phenomena which are analyzed in organizational theory are very time dependent. On the historical record, they represent a blip.

The modern corporation, with its extreme separation of management and ownership and divisional decentralization, came into existence in the first third of this century, spread in the developed part of the capitalist world in the second third (especially after WWII), and may vanish by ____? It is a profoundly historical phenomenon. Yet our theoretical discussion of the corporation tends to downplay that historicity. How it developed is treated as a functionally necessary and efficient outcome of organizational complexity under competitive conditions (cf. Chandler, 1962, 1977; Williamson, 1985). I believe the explanation is more complicated than that and requires a more complex and historically contingent analysis (see below).

If we ask how historical and comparative analysis might change our views, we would quickly note that at the end of the nineteenth and beginning of the twentieth century other nations legitimized cartels and bank linkages in a way that differed from the United States. Cartels were legally encouraged in Germany, and banks were part of trading groups in Japan. Thus, the forms of competition and cooperation and of investment linkages were different in these countries. Similarly, public agencies today differ greatly from public agencies of the nineteenth or eighteenth century; yet our synchronic approach to public administration has no account of the differences. It has no account of how we got from there to here, except a straight narrative account.

I believe--it is an article of faith, that nesting organizational theory in historical process and development will have many salutary effects. We will see organizational structures and processes as contingent on a more subtle set of societal processes which are often ignored in current theorizing. We will have a better sense of the extent to which organizational forms are embedded in legal and cultural systems and relationships. Our abstract models will be seen as applying within particular socio-economic constraints, rather than as timeless universals. Our models will be more, not less, powerful, because we will be able to specify the conditions under which they hold.

Moreover, an historically nested, comparative approach to organizations should aid in policy application and formulation. Too often the public debate over organizational policy matters proceeds from abstract theory or ideology, with little attention to the experience of other nations or of historical options and choices--whether we are discussing tax policy, anti-trust issues or takeover policy. Although it is beyond the scope of this paper, historical and comparative analysis ought to be an aid to institutional choice. (We return to this topic in the conclusion.)

It is one thing to assert the value of a historical nesting of organizational theory; it is quite another to demonstrate that value. This paper represents a programmatic effort rather than a demonstration of the power of historical nesting. First, I will be more precise about the defining characteristics of organizations and how alternative classifications of organizations are tied to historical issues. The body of the paper will discuss several historical trends and abstract characterizations that can be examined profitably by interlacing history and sociology. By and large the focus will be on societal determinants of corporate and business structure and internal processes; that is, corporations and organizational components are the dependent variable. We will have less to say about the impact of organizations on individual lives or on society. The analysis examines components of corporations such as management control structure, the organization of labor on the shop floor and the legal status of corporations. Our strategy is to historicize standard components of organizations discussed in organizational theory.[1] Rather than treat them as givens or as sole alternatives, the issue is what were the societal and historical alternatives?

Organizational Types, Components and History

What do we mean by the term "complex" or "formal" organization? How are complex organizations different from other kinds of social organizations (e.g., small groups, kin groups, societies, nations)? After presenting alternative definitions, W. Richard Scott states:

> Organizations are collectivities oriented to the pursuit of relatively specific goals. They are "purposeful" in the sense that the activities and interactions of participants are centrally coordinated to achieve specified goals. Goals are specific to the extent that they are explicit, are clearly defined, and provide unambiguous criteria for selecting among alternative activities.
>
> Organizations are collectivities that exhibit a relatively high degree of formalization. The cooperation among participants is "conscious" and "deliberate"; the structure of relations is made explicit and can be "deliberately constructed and

[1] The methodological approach to combining history and theory used in this paper is only one of many that might be adopted. See the appendix for a discussion of several alternatives.

> reconstructed." As previously defined, a structure is formalized to the extent that the rules governing behavior are precisely and explicitly formulated and to the extent that roles and role relations are prescribed independently of the personal attributes of individuals occupying positions in the structure (1987, p.21).

Organizations have relatively specific goals; they harness people together to accomplish those goals through incentives of various kinds; they develop authority structures, rules and a division of labor that serve to coordinate and guide the actions of the members. Since organizations have relatively specific goals, they depend upon the larger society for the provision of resources and legitimation to function. They are more delimited than societies and exist, are constrained, and are shaped by the political demands of the larger political system.

It is possible to discuss the transformation of organizations over time as a kind of general process. Thus, one might argue that organizations have become larger over the last several centuries; at least there are more large organizations now than there were at the beginning of the nineteenth century. Similarly, more organizations employ wage labor for the production of goods, instead of contracting out or using family members or slaves (a change in the incentive and authority basis of organizations). Yet other kinds of organizations, for example, social movement organizations and traditional churches, are not necessarily that much larger than at earlier times. And although they may employ some wage labor and be more bureaucratized than at earlier times, they still attract members on the basis of solidary and purposive incentives (Wilson and Clark, 1963; McCarthy and Zald, 1973). At the same time, the marriage of evangelical religion to the emerging technologies of satellite transmission and cable television has radically expanded the scope of some denominations and transformed the bases of religious participation for some parts of the population. Because different kinds of organizations have different historical and societal contexts, I think it is more useful to restrict our focus to particular types of organizations or to core aspects of organizations, rather than discussing the historical basis of the transformation of all organizations, combining historical context and general theory to arrive at overarching interpretations of organizations and society.

There is no agreement on a category or classification scheme for organizations comparable to those found in biology or zoology. (On the problems of constructing classification systems of organizations see McKelvey, 1982.) Instead, scholars accept the common language terms, often generated out of enterprise form (defined in law by legal ownership), purpose (broad or narrowly conceived), and incentive basis. Organizations distinguished by enterpise form are sole proprietorships, partnerships, corporations, not-for-profit corporations, public corporations, and public agencies. Each type has a different standing in law, packages control and authority in different ways, has different relations to the state and to capital markets and has different historical and societal incidence.

Organizations can be classified by broad purpose, such as social movement organizations--organizations attempting to change society, businesses--organizations aimed at making profits by selling products or services, religious organizations--organizations concerned with human's relation to the ultimate grounds of being. More narrow categorizations of purpose may also be developed--e.g., manufacturing versus service businesses, or even more narrowly, steel manufacturing, personal services.

Finally, organizations can be classified by incentive system--coercive, material, purposive, or solidary (Clark and Wilson, 1961; Etzioni, 1975; Zald and Jacobs, 1978). Coercive organizations achieve their ends through use of punishment and deprivation of liberty. Material organizations offer their members money and goods for participating in the organization. Purposive incentives offer the opportunity to achieve normative ends. Solidary organizations offer pleasing social relations and a sense of belonging.

Obviously, there are other bases for distinguishing among organizations, usually relating to some specific aspect of their functioning--technological development or kind of technological throughput, type of labor process, organizational structure (centralized or decentralized), etcetera. Usually it makes more sense to discuss the transformation of structural aspects of organizations within a particular type (e.g., distinguished by enterprise form, purpose, or incentive system) than to discuss the transformation of structural arrangements in general. Some types of organizations will not face dilemmas of centralization or decentralization; some types of organizations do not have a transformation of wage labor.

While many kinds of organizations may share similar historical trajectories, it is more likely that they will have different historical and spatial careers. Phrased differently, there is no apriori reason to expect strong time and societal dependence for all types of organizations and their components. Different industries emerge at different points in time; societies encourage or discourage particular types of organizations and enterprises. Which aspect or type should be examined in detail is a function of investigator taste and the amount of leverage to be gained for a broader understanding of organizations and society. In this paper the focus will be upon a central organizational type of modern society--the business corporation, and the transformation of several of its key components.

The Making of the Capitalist Corporation

There are many ways in which the conjoining of history, sociology and the study of particular processes or types of organizations could proceed. I will focus on the development of the modern corporation and its components. Clearly, the corporation is a central part of the modern economy, a power holder in its own right, and an important actor in the polity of all capitalistic nations. My purpose is to suggest some of the questions that are raised as the study of the history of corporations is opened up to sociological analysis, and as we use history to challenge sociological formulations.

The issues raised range from micro (really meso) to macro. They also vary in their locus--problems internal to the firm, i.e., management control systems; and the evolution of employee and labor relations; the transformation of inter-organizational relationsand networks; problems in the legal definition of organizations, and problems in the relation of the state to organizations. Each of these topics has received substantial treatment in the literature on organizations. They vary in the extent to which they have been given historical treatment, but all can benefit by nesting general propositions in historical and societal context. Although I will not treat each of these topics in equal detail, I will attempt to indicate the sociological and historical complexities of each of the routes chosen. I begin by focusing on the transformation of the internal management and control of business enterprises.

Management Control Systems. One of the great transformations of organizations over the last one hundred and fifty years has been the development of management hierarchies and control systems. Size and complexity drove a wedge between owners and producing workers. As owners or their first order delegates became more and more distant, as supervisors supervised supervisors supervising supervisors, problems of control loss became endemic to organizations. Control loss is accompanied by deflection from organizational aims and from economizing in the owners' interest, or so the theory goes (Williamson, 1964). As organizations become larger and more differentiated (as measured by the number of occupations, products, and specialized functions) they become more bureaucratic, developing formal structures and standardized procedures. The general correlation between size, complexity and structure and procedure holds in all modern societies, representing a well established nomothetic proposition. (See Hickson, et al., in Lammers and Hickson, 1979). Yet there are national and historical differences in how corporations met the challenge of control loss.

Alfred Dupont Chandler's (1977) The Visible Hand is devoted to a discussion of the growth of managerial hierarchies and control systems in the period of their great emergence in the United States around the turn of the century. (The multiple divisional form emerges later.) One major component of the control system that develops is the growth of managerial accounting systems. (As contrasted with public or financial accounting, managerial accounting is aimed at internal control and decision making.) Taken together, internal budgeting systems and cost accounting systems are powerful mechanisms for delegating responsibility, for reviewing the results of that delegation, and for developing standards for economizing judgements by management. Cost accounting information is especially critical for economizing decisions because it develops refined categories of unit costs and allows the manager to compare alternative mixes of fixed and variable costs and labor and capital investments in arriving at production decisions.

Accounting information and accounting systems are not costless themselves. They require specialized personnel and the devotion of time by both specialized and general personnel to the collection of data, their recording and analysis, and to report transmission. We have little sense of accounting costs for different organizations in different industries at different times. If accounting information was the sine qua non, the only route to effective internal control and decision making, one might just assume it as a prerequisite of organizational effectiveness. It is not the only route, however.

Both theoretically and empirically there is at least some reason to see cost-accounting techniques and cost-accounting personnel as socially nested developments. On the theoretical side, there are alternative ways of minimizing control loss. Socialization, carefully crafted incentive systems, and clan-like relations (Ouchi, 1978, 1979, 1980) may tie supervisors and workers to the aims of principals (Williamson, 1985) obviating the necessity of continual supervision and surveillance, to some extent. Moreover, once the costs of information are taken into account, the value of standard operating procedures (SOP), derived from rules of thumb, for making decisions, as contrasted with more refined cost calculations, remains an alternative. Of course, cost-accounting systems do not emerge overnight, but are historical accretions, in separate organizations, in industries, and in societal management systems. Thus, the costs of developing cost accounting systems decline because of historical learning curves.

On the empirical side, there is some evidence to indicate that managerial hierarchies vary in size and scope across national boundaries. (See Lincoln, Hanada, and McBride, 1986; Azumi, et al., 1984.) They may also employ detailed accounting systems to a lesser degree. John Meyer (1986) has argued that the processes of rationalization has taken different form in Germany, a more "corporatist" society, than in liberal Western societies. As a consequence, he argues that German managers have had less reliance on accounting and accounting information. Piore and Sabel (1985) argue that craft based organization of the shop floor is an alternative to mass-production organization for many industries. Further, they argue that German industry retained a craft-based plant community in many industries that had become mass-production based in the

United States. They put forward the general supposition that both scientific management and cost accounting are more likely to be institutionalized in mass-production organized industries.

Taking both of these points together, several research questions are suggested:

--What was the size and distribution of accounting personnel and accounting effort internal to firms and industries over time? Marshall Meyer has described the correlates of growth of municipal finance offices (1985), but I am unaware of parallel studies in private firms. Typical business histories are more likely to report on the introduction of standardized accounting practice than they are on the costs or organization of accounting practice.

--How does accounting practice differ in the same industries in different countries? Industry is a key control variable, since industries differ in size of firm, in the introduction of management, and in the ease of quantifiability.

--How does the growth of professional standards and governmental regulations effect internal accounting practices? The process of adopting new managerial practices results from a variety of forces including, but not restricted to, attempts to control costs and rationalize decision making (Zald, 1987).

Fligstein (1987) provides evidence that over time personnel with a background in finance became more likely to head the largest corporations from the beginning to the end of the 1919-1979 period. He shows that as a proportion of the total entrepreneurs and those out of manufacturing backgrounds declined over the time span. To some extent, the switch is related to corporate strategy. At the beginning of the period the largest firms were often single product firms with a unitary functional structure. They were likely to be headed by entrepreneurs or managers out of a manufacturing background. Firms with a conglomerate and product-related strategy were more likely to have executives with a finance background, and those kinds of firms were more likely to be among the largest firms in the recent period. Again comparative studies of top personnel in industries in different countries would be well worth carrying out.

--Is there a constellation of management rationalization, including cost accounting, organization of the production process, and labor organization and labor relations that go together in the development of industries? Chandler does not devote much attention to labor relations and the actual management of production. For each of his exemplar companies, it would be fascinating to examine the status of their labor relations and the detailed nature of their internal management and organization of production processes. Piore and Sabel (1985; see also Sabel and Zeitlin, 1985) argue that management practice is closely bundled with production technology and labor organization. However, these differences may show more in national differences than in company to company variation, since management theories are part of national institutionalized ideologies. (See also below.)

We have known for sometime (Bendix, 1955) that national ideology and social structure shaped managerial ideology. The historical and comparative thrust of this section suggests that even the most technically developed components of managerial practice, such as accounting rules, have a similar social embeddedness.

The Organization of Labor on the Shop Floor. Somewhat separately from mainstream organizational theory, there has been a torrent of studies of the organization of production as a labor process. Motivated by social history, by Marxist concerns about history from the bottom up, and by a desire to understand the actual social relations of production, many of these studies examine the interplay of technology, worker organization, capital and management and the larger, state institutions surrounding production. The studies are both contemporaneous and historical. Some of these studies (Clawson, 1980; Stone, 1985) argue that the bureaucratization of the employment relation was as much a technique of management control as it was a mechanism for raising profits. Clawson actually goes further--he believes and provides some evidence that the substitution of direct employment for sub-contracting, the earlier form of hiring labor, was done more for management control than for its contribution to profit making. Richard Edwards (1979) examined the transformation and bureaucratization of labor relations as we moved from personalism and personal domination, to technical, and finally to bureaucratic and human relations models of organizational control.

Harry Braverman's (1974) important work raised the deskilling argument to center stage. Braverman argued that the long range trend in American industry was for craft-based jobs to be replaced by semi-skilled and low-skilled job requirements. However, the weight of the evidence is that deskilling may occur in some industries, but hardly occurs in all. Granovetter and Tilly's (1987) careful evaluation suggests that, if anything, skill requirements, complexity and the handling of non-routine tasks may have increased in the overall work force. Moreover, the amount of deskilling is not a direct function of the amount of automation and technological substitution, as in Braverman's account, but a complex outcome of bargaining power of workers and managers, the state of the economy, rates of technical change which raise workers control of tacit knowledge, and other factors.

Indeed, new studies might take into account the role of labor and labor unions in <u>creating</u> deskilling at earlier times, as they contested with management for the definition of jobs on the work floor. Unions wanted precise job categories and inflexible assignment schedules as a defense against management. Deskilling may have been the result. In the current era, as international competition heats up, management is pressuring for job assignment flexiblity, increasing the number of tasks workers must master. Zimbalist's (1979) important compilation of case studies provides a good cross-section of the organization of production and labor relations in different industries.

Most of the literature attributes the transformation of the social relations of production to the interaction of technological change, labor solidarity or lack thereof (including the impact of unionization on both unionized and non-unionized companies) and management rationalization. At least as important was the enactment of legislation governing employment relations. Laws such as the wages and hours act, or more recently, legislation on the requirements for vesting pensions, are major forces for standardizing the terms of employment relations. Baron, et al. (1986) have shown how the transformation of personnel practices were facilitated by state action,especially during war time. Sanford Jacoby (1985) examines the growth of personnel departments as an aspect of the bureaucratization of labor relations. Jacoby examines how the "demand drive" system, treating labor as a pure commodity dominated by strong foremen, was transformed. On the one hand, reformers within management argued that the demand drive system was inhuman and unproductive. Social workers, ex-socialists and other labor missionaries came into management to transform the system; a professional social movement, if you will. Simultaneously shifts in the economy promoted bureaucratization. As labor productivity declined in World War I--labor was scarce and quit rates were high--the government pressured shipyards and other military equipment providers to adopt labor practices, rules, standard days, and so on, that would hold labor and generate higher productivity. The state played a major role in promoting the program of the emerging profession of personnel administrators again during the Great Depression.

It is possible to combine the historical evolution of management of labor force, ala Edwards, with the more cross sectional analysis represented in Zimbalist. That is, the organization of production in an industry is not only a function of the actual task-technology demands, but of broader societal institutions of labor relations and management training. Moreover, we now have sophisticated notions of internal labor markets that examine how large organizations structure careers within and between organizations, substituting for or complementing market exchange models.

This suggests both an empirical and a theoretical agenda. Historical studies of internal labor markets are in order. To the extent that personnel files can be retrieved or reconstructed, and to the extent that we have a knowledge of a firm's organizational structure, it becomes possible to reconstruct the evolution of a firm's internal labor market over time. Such research becomes part of a disaggregated approach to the study of social mobility and the transformation of stratification in emerging industrial society.

Two theoretical tasks are suggested. How do internal labor markets tie to the organization of production across industries? How do internal labor markets tie to social mobility and stratification? There are hints in the literature about how one would pursue such issues. With regard to the cross-industry generation of internal labor markets, they must be treated as a joint product of production process, labor-management systems, and state intervention. Internal labor markets tie to social mobility and stratification through the reification of job categories, career and job qualifications and reward systems. (See Stewman, 1986 and Rosenbaum, 1984.) These are extremely important topics for historical understanding and for the development of linkages between stratification theory and organizational theory.

These kinds of studies also tie to a number of policy and institutional choice issues. Internal labor markets and the organizational structuring of labor relations have deep implications for the productivity of firms and the career opportunities of minorities and women. Shop floor organization fascinates scholars, and also has important policy implications.

Enterprise Form and Structural Options. A discussion of managerial control and of the organization of work as historically nested processes focuses on micro processes even as it draws on larger cultural, political and institutional processes. A consideration of enterprise form issues turns us to the law and the structured processes for mobilizing and allocating capital. Micro-issues do not disappear, but macro issues of legal change and political process come to center stage.

Enterprise form deals with the legal constitution of organizations and the assignment and disposal of property and property rights. As noted earlier, common language enterprise forms include sole proprietorships, partnerships, limited partnerships, private corporations, publicly owned or listed corporations, state owned corporations, public organizations (government agencies), associations, church organizations, etcetera. Each enterprise form has a legal history, more or less complicated, that details how the terms of ownership, management, capital mobilization, and capital dispersal, will take place. Moreover, each enterprise form actually constitutes a complex of rules and laws shaped by standard setting bodies, such as the Financial Accounting Standards Board, the Securities and Exchange Commission, and the Internal Revenue Service.

These terms of ownership may favor one group or another. To use an example much in the news in 1986 and 1987, if the incumbent board of directors of a corporation is legally allowed to stagger the terms of board members, new owners of the stock of the corporation are limited in their ability to dispose of and manage a corporation. Such rules are "poison pill" rules, legally enforceable and part of the enterprise rules of corporations. They are a defense against hostile takeovers.

Enterprise forms are different ways of packaging property rights to achieve individual and social ends. The adoption of enterprise forms in broad stroke (major form) and in fine grain (specific rule constellation) are subject to an historically nested political economy of choice.

That is, the use of a particular enterprise form depends upon the perceived costs and benefits of its use in comparison with other available enterprise forms. Whether to structure a hospital as a for-profit corporation or as a not-for-profit eleemosynary organization responds to changes in the availability of money in capital markets and changes in management and hospital technology. Transforming a publicly listed corporation into a private one is partly a function of capital availability and the possibility of shielding property control from takeover bids. Moving from corporate form to partnership form becomes desirable, if tax rates are much lower for partnerships.

Scholars writing about enterprise form in capitalist societies tend to write as if the modern American corporation was somehow inevitable. They write as if the general purpose (unrestricted charter) corporation, that limited the liabilty of owners and treated the corporation as a person, had an evolutionary dominance over other forms. Legal scholars, such as Lawrence Friedman (1976) noted how American states desiring to encourage economic development rushed to free capital of restrictive charters and personal liability. And Chandler treated the corporate form as part and parcel of the modern firm.

This gloss ignores the historical alternatives. In particular, trusts and combinations as enterprise forms were outlawed, limiting the role of investment banks as controlling entities in the ongoing operation of goods producing and distributing firms. Cartels were actually encouraged by law in Germany until after World War II and Japanese Trading companies had banks at their core. (For the contrast of European and American developments see Cornish, in Horn and Kocka, 1979.) Stock markets became important earlier in the United States than in other countries, because alternative vehicles for capital investment had been narrowed. The absence of a national bank and limits on bank ownership of corporations forced corporations into the stock market as a source of investment. The success of the American corporate form and American political and economic hegemony following World War II suggested to other nations alternatives for the relation of banks to industry. The growth of the multiple division (M-form) firm, with corporate headquarters acting as an investment bank in relation to its decentralized divisions, was at least in part a function of American anti-trust law which limited banks in the direct control of corporations, and tax law, which levied lower rates on corporations than on individuals and which permitted retained earnings to be used in the business.

The joint effects of tax law and anti-trust policy are not well understood, but Neil Fligstein (forthcoming) has shown how changing anti-trust policy has reshaped the combinatorial possibilities for large corporations. First, the trusts were outlawed, which eliminated industry cartels dominated by banks and opened up the possibility of vertical and horizontal integration as a manufacturing strategy.

Later, the Cellar-Kefauver Act closed off the possibilities of these two forms of merger. The conglomerate form, combining divisions with unrelated products became the option for executives with extended credit lines and the ability to see the stock market potentials of large conglomerates. Fligstein also shows how regulatory policy limited entry and stabilized industries and firms that otherwise might have declined in size and profitability.

We do not have a well developed sociology of enterprise form, at this point, but one can begin to discern its outline. First, what are the stakes for political officeholders in creating and legitimating alternative enterprise forms? Andrew Creighton (1987) argues that in the Jacksonian period the corporation was feared as a monopoly holder. Created by the state for limited public ends, early corporations gave monopology rights to businessmen to achieve public ends. Only later in the nineteenth century did legislators and judges in America rush to free capital. Both ideological and political economy motives were involved. To use a current example from the Soviet Union, Gorbachev hesitantly embraces limited private property forms--ideology clashes with political economy reality. Enterprise forms are legally embedded. State action is required and we must study the political process involved in creating and sustaining enterprise forms.

Second, the choice of enterprise form and which form comes to dominate has consequences for the rise and fall of class fragments, for the fine grained texture of class cohesion and class action. William Roy (1986) demonstrates how the transformation of the mechanisms for accumulating capital, the growth of banks, and the emergence of different kinds of investment media, changed the structure of capital accumulation, investment, and the dominance of class fragments in America. Landed gentry and merchant capital gave way to the new corporate entrepreneurs. His tale, which is an historically contingent analysis of the interplay of the state, classes, and capitalism, gives a very different picture of the emergence of the modern corporation than does Chandler.

Current events make the general point vivid. The hostile takeover movement of the 1980s pits fragments of capital against each other; the outsiders using speculative money and new investment media (junk bonds) against established and entrenched management. The center of much of the action switches to law offices and investment banks. The white hats and the black hats are all within the capitalist class, though they vary in ethnicity, networks and social legitimacy.

<u>The Transformation of Organizational Environments</u>. One of the staples of organizational analysis is the study of organizational environments and inter-organizational relations. Inter-organizational relations include conflictual, competitive and cooperative relations. The analysis of organizational environments is more general than the study of inter-organizational relations and often involves an attempt to characterize the overall stability, dynamics and turbulence of the environment in which organizations exist (Emery and Trist, 1965).

As a general proposition students of organizations believe that the environments of organizations, and especially business organizations, are more turbulent today than during earlier times. Similarly, it is probably fair to say that there are a greater number and variety of inter-organizational relations and forms for these relations than existed earlier. However, these broad propositions lack historical specificity. Giving them some historical specificity entails attaching them to the changing political economy and to the transformed possibilities made available through institutionalized repertoires of action. Both are large topics, but I can discuss the directions that analysis might take.

Emery and Trist characterized environments in terms of two dimensions, the degree of clustering (or power concentration) of environmental elements in contact with an organization (e.g., buyers, suppliers, government agencies, etc.) and the rate of change of relevant aspects of elements of the environment (e.g., technological and product characteristics, labor force supply, new elements coming and going). A turbulent environment is one in which there is a high rate of change in the elements and a great deal of clustering of the elements. An organization in a field with powerful unions, great governmental involvement and rapid levels of techological and product change would be said to be in a turbulent field.

Although the general proposition of increasing turbulence may well hold, it is likely that different industries are on different trajectories. As Tushman and Romanelli (1985) argue, industries evolve at different rates and go through periods of stability and instability at different times, which reshape industry structure, the exit and entry rates of organizations, and the adaptive structure of firms. Indeed, it may well be that as the political economy changes, some industries become less turbulent; there is a declustering of elements and/or a slowing down of rates of change. For instance, increased international competition has contributed to declining unionism and declining power of those unions that continue to represent workers, at least in those industries directly tied to international markets. If turbulence is related to concentration of elements, the decline of unions and union strength leads to a decline in turbulence. Similarly, the conservative swing of many Western governments has led them to preach deregulation and lower intervention in industry affairs. (Of course, whether there has actually been a decline in intervention is an empirical matter.)

On the other hand, even though the clustering of power elements may have declined in some industries, rates of change in elements may have increased. Both the auto industry and the airlines face higher rates of change at the same time that elements are less clustered. From a managerial point of view, I suspect that the environment looks more threatening and unstable, even while labor and government are "off their back."

Not only must organizational environments be analysed in specific political economies, they must be connected to the changing repertoire of institutionalized forms. In an organizational and professional society, an engine exists to create new forms and possibilities for packaging organized action. As management schools have flourished, as the courts and government have permitted a wider range of inter-organizational relations, and as managers and professionals have made choice of organizational form and attachment a rational act, rather than a traditional expectation, new repertoires of action are entertained.

There has been an explosion of governance forms. Franchise chains, long term contracts, and arbitrational institutions have flourished. Theoretical work has begun to catch up with the empirical reality (Macaulay, 1963; Stinchcombe, 1985; Williamson, 1985). But the history and description of the transformation has not been attempted. Stinchcombe titles his paper "Contracts as Hierarchical Documents." The image is appropos and begins to change our view of the structured relations of the economy. Long term contracts are an alternative to joint ventures or vertical integration. As managers contemplate the choice of organizational structure, what is inside or outside of the organization becomes a matter of choice. For instance, many hospitals now purchase custodial services from independent contractors, rather than employing custodial personnel directly. Although the automobile industry in America has long had long term relationships with suppliers, international competition has led them to reconsider their out-sourcing of parts manufacture at the same time that it has created new joint ventures with a variety of competitors and suppliers. Similarly, strategic managerial services are sometimes hired on a part-time and even temporary basis, rather than provided by full-time permanent personnel

(Baron and Pfeffer, 1986). Of course, these new institutionalized forms are not used equally in all parts of the economy.

If, in fact, there have been increasing rates of change in many industries and if more aspects of inter-organizational relations are a matter of managerial choice rather than traditional givens, then we might expect to find a change in job of top managers. More Chief Executives will find themselves managing inter-organizational coalitions and alliances, and their role as internal managers will be handed over to others. Sooner or later, we would expect to find a transformation in their training and selection, much as we found a move to the selection of financial officers in earlier times.

The Growth of the Positive State and the Organizational Society

Much of organizational theory is written as if the state does not exist, or the state is treated as part of the environmental context of organizations. We noted earlier that legislative and judicial enactments created the enterprise form of the general purpose, limited liability public corporation. What needs more attention is the history and sociology of the state as an administrative-organizational entity in its own right. How did the state change its administrative capacities? How did that transformation of the state impinge upon and create the conditions for an organizational society? One approach is to ask how the state creates the conditions for stable exchange relations over large populations. The rationalization of law, the creation of stable and universally accepted currency are state functions promoting larger markets. Even within this perspective, the state has further functions.

The role of Herbert Hoover in creating the conditions for an expanded and state facilitated economy, through governmental standardization and cooperation is well known to students of the period (Arnold, 1982). The modern state system works beyond national boundaries, of course. The globalization of industry is dependent on compacts and laws between nations that leads to enforceable contracts and the regular movement of goods and services.

The modern state goes way beyond merely providing the context for large organizations, however. It provides infra-structural resources without which it is hardly possible to imagine organizations existing. Everything from public transportation systems to education systems that generate a pool of skilled and literate labor are dependent upon the state. Moreover, state policy with regards to health, safety, welfare, capital exchange, and taxation deeply penetrates organizations. Although organizational theory often does not remark on this deep penetration, students of political economy, Marxist or otherwise, do (cf. O'Connor, 1973; Shonfield, 1969).

How might the historical development of state structures be linked to the study of organizations? In fact, there are several facets to the problem. Let me suggest three--the development of administrative capacity, national ideology and the legitimation of enterprise form, and jurisdictional geography.

Administrative capacity deals with the ability of state agencies to cope with the problems of delivering public goods in a systematic way. Consider a homey example: could a postal service made up of part-time political appointees be expected to fine tune a mail service over a population of two hundred forty million people, coordinating the transportation of millions of pieces of mail? What kind of administrative apparatus is needed for securing public health? What is the administative apparatus necessary for controlling government bureaucrats in a large Democratic State?

Stephen Skowronek (1984) has begun to elaborate the administrative procedures, professional training grounds, and organizational capacities that went into the transformation of the American federal government as an administrative-effective organization. In the American case, Skowronek argues that we were a nation of legislatures and courts, opposed to and without legitimation of executive and central administrative action. Martin Shefter (1977) has argued that the strength of administrative organizations interacts with the emergence of mass suffrage to shape the nature of political parties in Western Democracies. Where administration was strong and could deliver services, political parties became more policy- and ideologically- oriented. Where administration was weak, as in the United States, parties became vehicles for the delivery of patronage and pork barrel demands. Between nations, we would expect that the relative strength and legitimation of state administrative action at earlier points in time affect the ability of the state to effectively coordinate policy implementation, once the decisions to implement policy have been taken.

A second historical issue has to do with how state ideology has justified a variety of enterprise forms and how these have changed over time. Because we live in a state that allows and indeed encourages a variety of enterprise forms, we tend to forget how exceptional that state is. The size of the non-profit sector, the encouragement of public corporations, the extent of voluntary associations, and the amount of government ownership of manufacturing and other organizations vary widely among modern nations. There are cycles of promotion or constraint of these forms, and the turning points in these cycles may be hotly contested and politicized. Frederick Pryor (1973) has discussed the variation among nations in the extent to which industries are likely to be in the public domain, to be regulated, or to be left relatively free of government ownership. For instance, even in socialist societies restaurants may be profit making, on the other hand, banking is either government owned or regulated in almost all societies. Ralph Kramer (1982) has documented national differences in the size of the not-for-profit sector. Garner and Zald (1985) have discussed the extent to which societies actively and passively encourage the social movement sector. Passive encouragement comes about through general tax laws, media access, and policy structures that do or do not hinder group mobilization. Active encouragement or discouragement occurs through the specific allocation of constraint or opportunities to specific social movements. The general trend, with many exceptions, is for western societies to loosen the reins on social movements.

Finally, the structure of state jurisdictions, the level of centralization or decentralization, and the parceling out of responsibilities among functional agencies shape the political matrix in which industries and organizations exist. These jurisdictions may change over time. For instance, as the Federal government becomes a large element in the construction industry, federal policy affects the fate of labor and companies alike. As the Federal government does or does not get involved in education at various levels, the extent to which educators and their professional associations turn to Washington or to state capitals will change (Zald, Jacobs, and Useem, 1987).

Once we have a sense of how the positive state has grown and changed in its relations to organizations, we must return to the topic of how the state and organization interact, how they reach out towards each other. Phillipe Schmitter and his colleagues (Schmitter and Lehmbruch, 1979; Streeck and Schmitter, 1985) have discussed private interest intermediation and concepts such as corporatism as a way to get at these questions. Understanding the intersection of organizations and the state is facilitated by examining organizations as part of industries. Industry life cycles, industry structure and the position of organizations within industries affect the ability of industries to mobilize and make demands upon the state and the issues which concern them. Often the state's interest in particular organizations is often related to the industry in which it sits (Zald, Jacobs, and Useem, 1987). These are large, difficult, and important issues.

Conclusions

This paper begins from a large programmatic and meta-theoretical premise--that the isolation of organizational theory from historical context and analysis impedes the progress of organizational studies. It leads to over-generalization, ignoring historical alternatives, and misspecification of causation. Although I have argued that history and theory must be joined in the study of organizations, exactly how we are to do that is not perfectly clear. There are many alternatives, including the historical examination of particular types of organizations, the development of uniquely historical theories about specific features of organizations, and so on (see the appendix).

The strategy chosen here has been to identify a range of issues of concern to sociologists of organization, especially but not exclusively, sociologists that deal with large corporations. These topics--management control systems, labor process, enterprise form and rules, environmental turbulence, and state action are often treated synchronically with little attention to historical development, or they are treated as if there is one large master trend. My tack has been to ask how historical and comparative analyses might illuminate our understanding of the trend or of the processes underlying a given concept. Sources of variation are found in institutional history, political arrangements, social inventions, and historical conjunction. No singular organizational theory will do, and abstract concepts from economics, sociology, and political science will be invoked as they are needed.

I began this paper with a lament: from the point of view of the sociology of organizations, we are in danger of developing abstract theory unconnected to historical context. On the other hand, the paper also offers an implicit challenge to historians of business and organizations; to the extent that they proceed without explicit theory or concepts, they stand in danger of getting trapped in the cultural understandings of the day, of assuming social forms and historical progression. If so, historians of organization and sociologists of organization need each other--badly. The approach I have taken is one among many that might be followed. But there are many other modes of breaching the wall. As one thinks about different solutions and different examples one must try and avoid opposing pitfalls--the poverty of historicism and the emptiness of abstract generalizations.

My analysis also suggests an approach to institutional choice that blends historical, sociological and rational choice models. Proposals for change at the micro level of the firm or the macro level of the political economy presume goals and maximization of values. Inevitably any proposal for change, whether of enterprise form or of labor relations, addresses itself largely to the problem at hand, within the current frame of debate. However, institutional choice is constrained by the dominant hand of past choice as manifested in embedded practice and by ideological assumptions often unconsciously rendered. The historical and comparative approach suggested here might help to explore a wider range of alternatives at the same time that it weighed in against naive borrowing or grafting of those alternatives.

APPENDIX

An Excursus on History and Organizations

A large methodological issue is how one goes about combining history, theory and the study of organizations. Since there are alternative approaches and meanings for each of those terms, a systematic discussion is well beyond the reach of this paper. A brief discussion will at least highlight the possibilities. History is the expression, discussion, and interpretation of events that occur in a time dependent sequence. Sometimes defined as a narrative of events over time, history usually deals with some change in the object under study over a time period. If the period is described in a synchronic or static fashion, it is usually assumed (at least implicitly) that the period studied differs from the period before or after in some significant regard.

A History-for-itself approach to organizations would treat organizational matters without reference to theoretical issues generated by the nomothetic social sciences. Historical studies would then be of value to the extent that scholars and others were interested in knowing the history of particular organizations, e.g. Ford Motor, or of particular components of organizations, e.g. the history of personnel departments in American corporations. Those histories might or might not fit into our larger understandings. Pure history-for-itself is important as it helps us to understand how a particular organization was transformed.

On the other hand, history-for-itself speaks to more generalizing concerns if the cases selected are believed to bear on more abstract concerns. For instance, as one of the first large mass production manufacturing organizations, Ford Motor Company "stands for" the emergence of mass production. The emergence and growth of personnel departments can be considered part of the bureaucratization of labor relations and, thus, histories of them help us understand that general process of bureaucratization (Jacoby, 1985). To the extent that the historian studies a particular organization because it "stands for" or is "part of" a larger process, some implicit or explicit larger generalization is being invoked. The narrative for itself is no longer the goal.

A second use of the history of organizations would be as a testing grounds for nomothetic propositions. Here the history of a single organization or of a sample of organizations is used to test hypotheses that predict differences in organizations as they experience different events and system states. Chandler's thesis (1962) that strategy causes structure was "proved" by examining the history of American corporations that were early adopters of divisional decentralization. Chandler argued that as company strategy led them into different product lines and manufacturing processes, it became more and more difficult for a functional departmental structure (with separate unitary marketing and manufacturing departments) to cope quickly and wisely with the complexity of operation. A structural change to a multiple divisional system was adopted. Similarly, Williamson (1975) used Chandler's data to argue for his own theory based on transaction cost advantages to explain which corporations would or would not adopt divisional decentralization.

A weaker version of this "testing grounds" approach is found in Zald's study (1970) of the Young Men's Christian Association. That study uses the history of the YMCA in the United States and in Chicago to illustrate the application of a political-economy approach to the analysis of organizations. Selznick's classic study of the Tennessee Valley Authority (1949) also uses history as illustrative ground for a theory. These are weaker approaches to the use of history because the possibility for disproof of specific propositions and predictions is hard to imagine. Instead, the theories or theoretical frames are found to be "useful" in explaining the historical events.

A third approach would be to develop historical theories of organizations. Historical theories make time dependent events or processes critical to explaining later states and events of organizations. They may be of several forms. Stinchcombe (1965), in a now classic paper, argued that the occupational mix and processes in an industry were very much dependent upon the knowledge of how to do things that was available when the industry was founded. This might be called the impact of foundations hypothesis. Another approach of historical theories would be to argue that if X occurs at T1, Y occurs at T2. Although not dealing with organizations, Barrington

Moore's (1966) argument about the relationship of class coalitions among landed aristocracy, peasants, urban workers and bourgeoisie at the beginning of industrialization to the development of democracy, fascism or communism is of this order.

Another historical theory would be one that postulated a conjunctural approach to organizational development. Here the occurrence of several events or processes together pushes organizations in one direction, while the occurence of these same processes at different time points might lead in a different direction. Theda Skocpol's (1979) structural theory of revolutions, which postulates that successful revolutions require both exacerbated social conflict <u>and</u> a weak and discredited regime, is a conjunctural theory.

A final approach, and the one employed here, is that of <u>historical</u> <u>specification</u> of core components. Historical process and societal differences are used to explain options that underlie the large transformations in particular kinds of organizations. Instead of assuming that the current shape of organizations has some kind of inevitability, historical data are used to understand the particular shape of the components of the organizational type being studied. It combines a soft kind of conjunctural analysis and explicit generalizations about the important transformations of organizations in society.

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