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Constructing Organizations: The Example of Public Sector Reform

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Abstract

Organizations are socially constructed phenomena. A crucial task for organizational research is to analyze how and why people construct organizations rather than other social forms. In this paper, it is argued that recent public-sector reforms can be interpreted as attempts at constructing organizations. Public-sector entities that could formerly be described as agents or arenas have been transformed into 'more complete' organizations by installing or reinforcing local identity, hierarchy and rationality. This interpretation helps to explain important aspects of the reform process.

Descriptors: constructing organizations, reform, public sector, new public management, agent, arena

Introduction

Social science has a tendency to take its objects of study as given, seeing them as natural entities of some kind. Individuals, organizations, states and other basic social units just seem to be there, waiting for the social scientist to study them (Strang and Meyer 1993). Alternatively, however, phenomena such as these can be regarded as highly problematic: why, we might ask, do people believe in them; what meanings do they assume in various social settings; and under what circumstances do they become perceived as real and important aspects of reality? In other words, we can ask questions about the social construction of reality (Berger and Luckmann 1966). Social theorists' constructions may not always coincide with those of other people; what the theorist sees as a certain type of entity, may be interpreted differently by the practitioner.

In other situations, the abstract and general concepts of theorists have a considerable practical impact. Theoretical concepts are based on the study of the actions, descriptions and interpretations of practitioners. Once formulated, they are often reintroduced later into the world of practice. There they are compared with current practices and used to determine what is good or bad, what is lacking and what needs to be done. Concepts travelling back and forth in this way, between theory and practice, are a com-

mon feature of late modernity (Giddens 1990). Theoretical concepts are used for developing practice as well as theory.

In this paper, we discuss the social construction of organizations and the way in which this is influenced by the theoretical concept of organization. The examples will be taken from recent public-sector reforms in several European countries, including Denmark, France, Germany, Great Britain and Sweden, as well as in Australia and New Zealand.

Constructing organizations involves the setting up or changing of entities in such a way that they come to resemble the general and abstract concept of organization. We will argue that traditional public services in many countries have lacked some of the key aspects of organization. They can be described, at the most, as conspicuously 'incomplete' organizations. When existing services have been compared with the organization concept, their incompleteness in organizational terms has become obvious, and they have seemed to call for reforms to render them — in this sense — more complete. In fact, many public-sector reforms can be interpreted as attempts at constructing organizations. This interpretation provides some clues as to why the reforms occurred at all, why they acquired their particular content, and how they were received. In other words, our present focus is on the origins and reception of reforms, rather than on their implementation or their possible direct or indirect effects on the services offered by the public sector.

The next section will be mainly descriptive. We will show how popular reforms can be interpreted as ways of constructing organizations. In the third section, we will discuss the extent to which the concept of organization, as revealed in the reforms, deviates from previous forms adopted by public-sector services, and how it deviates. This helps to explain the content of reforms, i.e. what had been seen as calling for change. In the fourth section, we discuss whether the constructive nature of the reforms can explain why they were launched on such a massive scale and why they gained acceptance so easily.

A more fundamental question is why the concept of organization came up at all as a model in contemporary public sectors. In the fifth section, we will offer some speculations on this topic.

Reforms that Construct Organizations

Over the last twenty years or so it has been possible to observe a great number of public-sector reforms in several OECD countries (Hood 1991; Olsen and Peters 1996; Olson et al. 1998). In many cases, the reforms were not aimed at the products of the public sector, at health care or education for example. Rather, they have represented attempts at changing the modes of managing, controlling and accounting for the actual production of such services. Many of the reforms have met astonishingly little resistance and have been introduced at great speed by governments of various political shades (Hood 1991; Olsen and Peters 1996; Brunsson and Olsen 1997).

Public services have themselves taken the initiative in reforming and adopting new management techniques.

Students of these trends have described them in various ways: as the result of new or liberal ideas and policies (Fry 1984; Aucoin 1990; Pollitt 1990); as part of a shift in ideals away from hierarchy and the state and towards the market and the business firm (Czarniawska 1985; Brunsson 1994; Czarniawska-Joerges 1994; Humphrey and Olson 1995; Boston et al. 1996; Forssell and Jansson 1996; Easton 1997); as the expression of a growing tendency for rationalization (McSweeney 1994; Power 1994, 1997) or for putting a numerical value on, and accounting for, more aspects of human life (Preston 1992; Preston et al. 1992; Mouritsen 1997; Power 1997); and as a fashion (Abrahamson 1996; Røvik 1996). In this section, we will argue that the reforms can also, or alternatively, be interpreted as attempts at constructing organizations. The reforms can thus be described as a way of turning public services into organizations, or at least into something closer to this than before.

Organization literature has been concerned with organization in the general sense of co-ordinating actors and activities; it has also dealt with the specific, social entities known as formal organizations, or simply organizations, such as companies, labour unions or voluntary associations (Friedberg 1993; Sorge 1996; Brunsson and Olsen 1998). Here we focus on organization in this second sense. The literature on formal organizations tends towards exemplification rather than definition (Thompson 1967; Scott 1992; for examples see Barnard 1938; March and Simon 1958), but seems, nonetheless, to provide a fair degree of consensus on some of the important aspects that constitute organizations. In this section, we will describe these aspects under the general labels of identity, hierarchy and rationality and will examine public-sector reforms in relation to them.

Constructing Identity

Seeing something as an organization means endowing it with an identity. This, in turn, means emphasizing its autonomy, and defining its boundaries and collective resources. Organizational identity also involves the idea of being special, of possessing special characteristics, at the same time as being part of a highly general category, the organization. Many reforms represent an attempt to install or reinforce such features of identity in the public services.

Autonomy

An organization has a certain degree of autonomy. It is hierarchically subordinate to only a small part of its environment, for instance its owners. Its autonomy implies that it can own, or at any rate control, resources, as well as controlling its own boundaries, by commanding the opportunities for entering or exiting (Weber 1968; Ahrne 1994).

In many countries, attempts have been made to increase the local autonomy of public services, such as schools (Schick 1996), universities (Colado

1996; Easton 1997; Musselin 1997), hospitals (Freddi and Björkman 1989; Harrison and Pollitt 1994; Schick 1996; Ham 1997; Lapsley 1997), local governments (Boston et al. 1996; Fernler 1996; Forssell and Jansson 1996) or state authorities (Martin 1995; Hood 1996).

Rules emanating from the centre have become fewer and less specific (OECD 1995); instead, decisions are taken in the relevant local unit. The task of the central bodies is now more frequently framed in terms of giving advice and follow-up rather than imposing directives on local units (Jacobsson and Sahlin-Andersson 1995). Staff is employed by the local school, the local university, the particular authority and so on, rather than by the state or the local government, as was usual in the past. Conditions of employment, and to a large extent the division of labour, among professional groups are determined locally, rather than by central or professional regulations (OECD 1995; Boston et al. 1996; Schick 1996). Local entities engage in setting the boundaries for their own activities (Åkerstrøm Andersen 1995).

Changes in budget procedures have aimed at giving local units and their managements greater control over resource allocations and operations. Integrated funding has been introduced: how the budget is to be divided among various items such as rent, personnel and technical equipment is not specified from above, but is assumed to be decided by the local management (Easton 1997; Olson and Sahlin-Andersson 1998). Some public services have even been allowed to acquire and dispose of income from sources other than central funding, at their own discretion (Schick 1996). In other cases, units have been transformed into organizations that are also legally independent, becoming publicly owned companies or even being privatized (Boston 1995; Svedberg-Nilsson 1999).

Collective Resources

An organization is held together by its members and by the collective resources that it controls (Ahrne 1994). However, an organization is something more than its members and its present resources: such things can be exchanged, while the organization itself continues to exist. Barnard (1938) described organizations in this context by comparing them to human life. Organization theories have often designated life and the ambition to survive as a purpose and an intrinsic value for organizations (Selznick 1957). In the course of the 1980s and 1990s, public-sector accounting was reformed and accrual accounting was introduced in many places (Olson et al. 1998). Result centres were defined, and assets and debts attributed to them were presented on a balance sheet. The asset side of the balance sheet confirms that a public service is more than just its members. Result centres are treated as the owners of resources, such as buildings or equipment, and are assumed to bear the full costs for these resources and for their own personnel.

Constructing Boundaries

An organization is defined by boundaries between itself and its environment. A distinction is made between what is happening inside and outside the organization, and these things are evaluated differently (Selznick 1957). This also means that internal and external relations are assumed to be different in kind; customers are treated differently from organization members, for instance. Organizations are 'controlled' and 'managed' internally, but they 'adapt to', 'influence' or 'handle' their environment (Pfeffer and Salancik 1978).

In connection with the recent public-sector reforms, local entities have been asked to define their environments and their boundaries in policy documents. Under extended accounting systems, boundaries are constructed and maintained between the organization and its environment, thus defining costs, revenues, assets or results as internal or external (Miller and O'Leary 1987; Miller 1992, 1994). Public services used to have pupils, patients or colleagues, i.e. people belonging at least in certain respects to the individual service. These services now define their own environments in terms of customers and competitors, i.e. actors clearly external to themselves (Forssell and Jansson 1996).

More autonomous local bodies have changed their relations with each other and with the central government. They have become providers and customers: they sell services to other public bodies, or buy from them (Boston et al. 1996; Easton 1997). They face competition from others. They may even 'sponsor' activities — the Swedish Foreign Office 'sponsors' the state-owned Royal Opera. Rather than following orders emanating from higher levels, local entities negotiate with such levels and sometimes enter into contracts with them. Swedish universities have established a private co-operative organization to work for their common interests *vis-à-vis* the central state.

Being an Organization

An organization is also defined by conceptual boundaries: it is likely to be presented as belonging to the category 'organization', rather than just to some other category such as school, hospital, etc. This has occurred in the case of many schools and hospitals, as well as in various state authorities (Sahlin-Andersson 1996; Schick 1996; Mouritsen 1997; SOU 1997). In some British and New Zealand policy statements, it has even been stated explicitly that public services should be regarded as organizations no different from any others (McSweeney, 1994; Boston et al. 1996).

The base for recruiting leaders and personnel has become increasingly defined according to this broad concept of organization. New leaders for schools, hospitals, libraries, and so on, are not recruited exclusively from other schools, hospitals, etc. Explicit policies have been designed for recruiting public-service managers from other types of organization (Hood 1996; Rombach 1997), and the fact that there are so few leaders in the public sector with experience from non-public organizations has been seen as a problem (McSweeney 1994; OECD 1995). The experience of leading and managing organizations in general has come to be regarded as an important career qualification, more valuable than experience within the practical field of the public service concerned.

Being Special

Identity also involves the idea of being special — the idea that one entity is different from others, that it has certain characteristics or combinations of characteristics that are different from those of the others. The organization has a special task or purpose. It possesses certain features, such as a special competence, special resources, a special structure or a special way of working; or it represents special ideas. It has its own history or even its own organizational culture.

Public services have been asked to formulate their own particular objectives and to produce policy statements and performance reports (Boston et al. 1996; Hood 1996; Power 1997) in which they emphasize the differences between themselves and other services. Individual schools (Jacobsson and Sahlin-Andersson 1995), maternity wards (Rothstein 1994) and universities (Musselin 1997), for example, have developed and projected their own profiles. Some have actively marketed themselves with the help of these profiles, with logos of their own and sometimes even with new names emphasizing their special identity in order to attract more 'customers' (Berg and Jonsson 1991; Rombach 1997).

Constructing Hierarchy

Organizations co-ordinate activities. In fact, the ability to co-ordinate action is often seen as the very point of creating organizations (Thompson 1967; Mintzberg 1979). Members of organizations should act in a way that contributes to certain common co-ordinated actions. Co-ordination is achieved by an authorative centre that directs the actions of the organization members. In other words, there is an element of hierarchy within the organization. With the help of this hierarchy, the special identity of the organization is to be transformed into organizational action. The authoritative centre should have some freedom of choice when it comes both to forming the organizational identity and to shaping organizational action. The centre is responsible for the organization and its actions. Constructing such local hierarchies is the objective of many public-sector reforms.

Co-ordination and Control

Reformers have tried to strengthen the co-ordination within the local unit by creating teams drawn from various personnel categories. Co-ordination and co-operation within hospital clinics, municipal offices or state authorities have been reinforced, while spontaneous co-operation among individual professionals representing different units is no longer encouraged (Czarniawska-Joerges 1994; Sahlin-Andersson 1994). The idea is that the internal teams should be guided by organizational policies rather than by central rules or professional norms. This also means that any achievements are attributed to the unit as a whole. Achievements at many universities, for instance, are increasingly attributed not only to the individual researchers, but to the unit, the university or the research institute. At these universities, management has consequently come to be regarded as an important factor, and university presidents have been given more responsibility (Berrivin and Musselin 1996; Colado 1996).

Constructing Management

The authoritative centre of an organization should consist of 'managers' who are asssumed to exert control and bear responsibility for the organization, its actions and results (Fayol 1916; Selznick 1957). It is often assumed that, internally, managers are organized hierarchically in layers of leaders and led, whereby the led are leaders of the next layer down (Weber 1968). A board can give general directions to an executive, but the executive is then responsible for organizational activities and results.

Several recent public-service reforms have aimed at 'letting managers manage' or at 'freeing managers to manage' (OECD 1995; Schick 1996). Chief executives are defined as managers enjoying freedom of choice, rather than as civil servants following and implementing central directives. These managers are expected to launch their own initiatives, to design activities and to transform the entity concerned so that it becomes something special, with its own special characteristics. In order to strengthen local co-ordination and control, many public services have established management teams, and a number of new middle management positions have been created (Humphrey and Olson 1995). As managers have been allowed greater discretion, their leadership role has been emphasized and consequently also the need for training in leadership and strategic management (OECD 1995). Top management is expected to achieve control with the help of management accounting techniques, whereby people or units are made accountable for certain activities and results.

Constructing Rationality

Another aspect of organization is rationality. Organizations are assumed to be 'intentional', in the sense that they work towards specific goals or purposes (Thompson 1967; Weber 1968). Intentionality represents a kind of process hierarchy, whereby organizational policy is transformed into action. Organizations are also assumed to be rational: executives are expected systematically to forecast goals, objectives and preferences as well as action alternatives and their consequences, and then to allow comparisons between these factors to determine their choice of action. The individual organization, rather than organizational sub-units, or society as a whole, is the relevant subject for organizational rational analysis; the relevant objectives, alternatives and consequences are those related to the organization as a unit. In many organization theories, it has been assumed that organizational actions are governed by decisions under a norm of rationality — a norm that, in practice, is difficult to satisfy. Thus we find a lack of rationality being treated in much organization theory as a deviation that calls for a special explanation (Simon 1945; Cyert and March 1963; March 1981).

Setting Objectives

Public-service reformers have tried to install various systems of management-by-objectives (Christensen 1991; Rombach 1991). The idea is that objectives specific to the individual entity should replace rules, so that the objectives then control the action, and that the achievement or otherwise of the objectives can then be registered accordingly.

Rationality is easier to achieve if the organization has a single, possibly a few, but not too many objectives. Too many objectives make it more difficult to determine what action is the best. Consequently, the demand for rationality in the organization often leads to attempts at simplification, reducing the number of objectives, possibly even to one — a single abstract goal perhaps, or a clear hierarchy of one overarching goal and several subgoals (Cyert and March 1963).

A recurrent complaint in recent reviews of public-sector services is that they embrace several tasks and objectives, which to some extent contradict one another. A number of public-sector reforms have been intended to break services down into smaller units, so that each unit could have one clear objective. For example, inspection and service-supplying units or purchasing and providing units, or inspecting and advising bodies have been separated from one another (OECD 1995; Boston et al. 1996; Fernler 1996; Laughlin 1996; Schick 1996).

Measuring Results and Allocating Responsibility

The demands for rationality in organizations call for the rational justification of past actions. Objectives and action are thus assumed to be connected in a systematic way. Organizations are expected to account for their actions with the help of the pre-set objectives; and they are expected to be efficient and to achieve their objectives at minimal cost (Thompson 1967; Ahrne 1994). Accounts are presented to higher levels in the hierarchy, or to external stakeholders with a legitimate interest in the organization. These statements describe the activities and results of the organization in recognized terms, that permit comparison with other organizations (Hopwood and Miller 1994).

The results of public-service operations are being increasingly controlled by means of the accounting system or by specific evaluations comparing results with objectives (Power 1997). Whereas accounting in the public sector was previously regarded largely as a way of reporting revenues and expenses, it is now seen as a device for controlling results (Roberts 1991; Mouritsen 1997; Olson et al. 1998). A disappointing result is expected to trigger some reaction from the top.

In some cases, the required results are assigned numerical values and are specified in such detail that they actually control things as much as the earlier rules ever did (Lindström 1997). Unlike rules, though, a focus on results passes responsibility to the local leadership, since it is their job to decide the means whereby the results are to be achieved. Managers who are free to choose the means are also responsible for the results of their choices, or, to put it the other way round, if they are to be held responsible, they must have freedom of choice. In the British public sector, the concept of the 'accountable manager' is often cited (McSweeney 1994). The accounting system has helped to construct the idea of the rational organization, in which specific individuals can be identified as being in control and bearing the responsibility (Miller 1992; Roberts and Scapens 1985).

In France, contracts or contract-like agreements have been drawn up between central government and the universities, in which specific objectives and expected results are given for each individual university (Berrivin and Musselin 1996; Musselin 1997). In Germany, the focus of local government budgeting has shifted away from the input side and is now based on the performance achieved by clearly defined result-centres (Lüder 1998). In New Zealand, performance agreements covering the performance of the individual manager, as well as the unit as a whole, are made between chief executives and their ministers (Boston et al. 1996). Managers and the units they manage are then monitored every year in light of these agreements, and the chief executive's pay is set accordingly. In the British public administration system, performance-related pay was introduced in 1985, following what was known as the 'financial management initiative', whereby aims, costs and performance indicators were set for the various departments, which thus became cost centres (Hood 1996).

Reforms in Packages or in Strings

Reforms in the public sector do not usually proceed by introducing various aspects of organization one by one, as described above. Rather they tend to come in packages, or in strings: a particular reform focuses on several aspects of organization at the same time; or reforms focusing on one or a small number of aspects are followed by other reforms focusing on other aspects. Packages or strings of public-sector reforms like this have sometimes even been given their own collective labels. 'The New Public Management' is such a tag (Hood 1995).

For example, when Swedish pupils were given more opportunity to choose their own school and each school's revenue was made contingent on its pupil numbers, the pupils and their parents began to take an interest in the special qualities offered by individual schools and, in turn, each school began to invent and emphasize its own particular profile. There was to be more co-operation across professional borders within each school, but there was less co-operation with other professionals outside it; other schools came to be seen as competitors rather than as parts of the same local authority, while teachers and certain kinds of resources became clearly associated with specific schools (Sahlin-Andersson 1994). Similarly, French universities used to be governed by several ministries and experts associated with various disciplines (Berrivin and Musselin 1996). Budgets were allocated to specific curricula. After a budget reform in 1989, this was changed, and resources were allocated to each university as a lump sum. The universities were asked to analyze their own situation and define 4-year plans, setting priorities between the various curricula and other activities. They

acquired a new interest in providing information about their situation, and spotlighting their specific qualities, all of which served to strengthen the power of the university presidency (Musselin 1997).

Constructing Organizations

Constructing organizations means introducing certain aspects of organization — labelled above as identity, hierarchy and rationality — that are constitutive of organizations. The constitutive character means that were these aspects to be lacking in a certain setting, it is doubtful whether that setting would be called an organization at all. Reforms aimed at installing these aspects can be interpreted as a way of constructing an organization, as organizatory reforms. If the reforms appear to be successful, then a reformed entity is more likely to be perceived by many people as a 'real' or fully-fledged organization, possessing the standard organizational attributes.

We have given examples of recent reforms in the public sector and have shown how they assign various aspects of the concept of organization to individual public services. Public services such as schools, hospitals or state authorities have been constructed as organizations by means of organizatory reforms. Whereas before, the state could perhaps be described as a single organization, albeit consisting of many sub-units (Ahrne 1998), its construction is now a kind of polycentric network consisting of many separate organizations (Steward and Walsch 1992; Martin 1995; Åkerstrøm Andersen 1995; Hood 1996). Also, whereas relations between public entities used to be characterized by many of the typical attributes of large hierarchies, such as setting rules, giving orders, inspecting and providing information, their interaction now includes features that are more typical of the relations between autonomous organizations, such as competition, collaboration, negotiation, advising, contracting, selling and buying.

These organizatory reforms are similar to other attempts at constructing organizations, for instance the creation of a single new business firm out of two or more previously independent companies through merger or acquisition, although this time, it is a question of creating one organization out of several, rather than the other way round. In such cases, an attempt is made to replace separate identities, hierarchies and rationalities by new, common, versions (Nahavandi and Malekzadeh 1988). New organizations are also created by splitting up larger ones, for instance when the vast hierarchies of big corporations are divided over separate business units, or are sold off as part of an 'outsourcing' strategy. The recent interest in such measures in the business world represents a slightly delayed parallel to the public-sector reforms, and, in particular, to the more radical examples such as privatizations.

In both the public and private sectors, the practical effects of constructing organizations can vary. In merged corporations it is often very difficult, in reality, to get employees to behave as though there were now only one new company (Sales and Mirvis 1984). Likewise, reforms in the public sector often make little impact on the products and services provided, or the impact

they make is quite different from what was intended (Pressman and Wildavsky 1973; Brunsson and Olsen 1997). In the organizatory reforms described here, the practical effects are equally uncertain.

Degrees of Organization: Actors, Agents and Arenas

Despite their constitutive character, the aspects of organization described above should be regarded as variables rather than constants; they can occur to a varying extent and in a variety of combinations in different organizations.

The Actor

When an organization clearly exhibits all the aspects of organization, it is likely to be regarded as a fully-fledged, 'complete' or 'real' organization. Corporations and independent companies in contemporary market economies are often viewed in this way. They can also be regarded as social actors, an actor being an entity with a clear and strong identity, hierarchy and rationality. Alternatively, using the terminology adopted in Meyer et al. (1987), an actor is an entity possessing independence and sovereignty, with autonomous or self-interested goals, with rational means and qualities, commanding independent resources and having clear boundaries. In our own culture, these attributes are also attached to individuals. Like the actor-organization, the actor-individual is also assumed to exhibit a high degree of identity, hierarchy (between soul and body) and rationality. An actor is able to act. Both actor-organizations and actor-individuals can perform actions: they can invest, produce, sell and buy, and they can make statements, and since autonomous actors choose and control their own actions, they also become responsible for them (Brunsson 1996).

The fact that an organization is perceived as an actor possessing all aspects of organization, is no obstacle to the launching of organizatory reforms. Management may want to make minor or even major changes in what constitutes the organization's identity, hierarchy or rationality. They are also likely to perceive any contradiction between norm and practice: although the organization is constructed as an actor, it may not function in exactly the same way (Brunsson and Olsen 1997). As a long tradition in organization studies tells us, practice in large organizations seldom lives up to the ideal image: deviations from a strong identity, hierarchy or rationality are common in practice, which provides an argument for reform, for trying to make the organization actually work in the way it should.

Thus, although business corporations are often seen as actor-organizations, they are frequently the subject of organizatory reforms. Attempts are made to reformulate, reinforce or implement the current business ideas; or to reinforce or abandon what is regarded as established organizational culture; or to reinforce hierarchy by introducing new leadership principles or more intricate management techniques. Reforms intended to increase rationality

may involve trying to formulate clearer objectives, to improve the systems for gathering and utilizing information or, in the old days, to introduce better planning techniques.

In fact, such reforms reconstruct an existing organization rather than constructing a new one. In other cases, organizatory reforms are more radical, involving the introduction of a new way of conceiving reality. This is obviously true in the case of trying to create an organization from scratch or by outsourcing, and to some extent in trying to create a single organization out of many, as in mergers. Organizatory reforms are also radical in many public services, i.e. in services that have hitherto lacked many aspects of organization, not only in practice, but even in principle. We will now describe two ideal types, namely the agent and the arena, that can usefully capture some of the characteristics commonly found in many traditional public services.

The Agent

Organizations can be seen as instruments for other actors, for organizations or for individuals. Companies can be seen as instruments for their owners, subsidiaries as instruments for their parent companies, departments as instruments for head office, or public services as instruments for the politicians. Entities of this instrumental kind, working on behalf of others, can be described as agents: they act as agents for their principals. They form an administration or *verwaltung*. Agents are not complete actors in themselves; the principal is supposed, at least indirectly, to control the action and to be responsible for it.

If we regard something as an agent, we attribute qualities to it other than those we ascribe to an actor-organization. An agent has an unclear or weak identity. Resources are controlled by the higher level and are typically allocated through a budget process, where the formal decision is taken about who gets money, and how much. In addition, the higher level may control employment or the terms of employment.

An agent also has unclear boundaries. The results which an agent is to achieve may actually occur outside its own borders. The results of an R&D department, for instance, ultimately show up in the sales figures for the company as a whole. The police are expected to reduce criminality in society at large. Moreover, in order to achieve results, agents often have to co-operate with others. Schools, for example, have to co-operate with the social services and with parents in order to achieve good results. Even an agent's clients sometimes have to co-operate, and it is not clear whether they should be regarded as internal or external to the agent: e.g. are the pupils part of a school, or not?

There may be detailed rules that apply to many agents. In many countries, the police departments, the prisons or the tax authorities have been assumed to have the same structure and to work along the same lines all over the country. Opportunities for the local officers are restricted when it comes to influencing goals, structure, working procedures or results, which means that their responsibility is also very limited. Responsibility resides mainly with the principal, with the politicians at the top of the state structure, for instance, or with top managers at the corporate level.

The survival of an agent is not a legitimate interest. Agents are instruments for solving certain tasks, and have no value in their own right (Weber 1968). Nor is an agent expected to have interests of its own. If an agent actually strives for survival and growth, it is considered to be dysfunctional (Crozier 1964).

Agents are supposed to fulfil centrally given tasks or to follow centrally given rules, which leave little room for local intentions or rationality. Agents may have to try to fulfil several inconsistent objectives at once. The chances of achieving rationality are then likely to be small. The results achieved by an agent are difficult to identify, if the agent is able to make a partial contribution only to the achievement of a particular general goal. It is notoriously difficult, for instance, to single out the contribution of the accounting department to the common result achieved by a corporation. Things are even more problematic if the connection between means and ends is ambiguous. The interventions of social workers may help their clients to a better life, for example, but they could also make these clients more helpless and dependent than they were before. Such an uncertainty in the connection between means and ends makes it difficult to use rationalizing models, or to measure the effectiveness and efficiency of an individual agent. When results are difficult to measure, rules rather than objectives are more appropriate as a way of controlling agents (Ouchi 1977).

Although agents are weak as regards identity, hierarchy and rationality, most organization theorists would probably still refer to entities of the agent type as 'organizations'. However, the agent's status as an organization is fragile, and is sometimes threatened: many people would prefer to treat a principal and its agent as a single organization, i.e. to consider the combination — the more complete actor — as the organization (Ahrne 1994). A department is often regarded as being part of an overall organization, rather than an organization in its own right. The same is often said of subsidiaries or state authorities too, such that the parent-company-plus-subsidiaries, or the state-as-a-whole are seen as the relevant organizations.

For an agent to become a complete organization, it should exhibit all the aspects of organization: local identity, hierarchy and rationality. It has to be assigned clear boundaries and to be given greater autonomy and more control over recruitment, members and resources. It has to have a local management which is granted fairly wide discretion. Within reasonable limits, management should be able to set its own objectives and to be free to make its own decisions, rather than just following centrally imposed rules.

On the other hand, the agent may already possess some organizational features, such as systems for auditing and accounting, or professional managers as opposed to leaders representing the professions involved in its operations. However, in the new organization, the accounting systems would be more firmly focused on controlling and measuring the results of

the organization's activities, and the local management would be held responsible for these results. This type of management is likely to have a personal interest in the local results itself, and will probably prefer to work towards a few consistent objectives rather than several conflicting goals. Management may seek to motivate organization members to contribute to results by raising their awareness of, and interest in, their organization, producing mission statements and generally emphasizing the great importance of the organization as a unit.

In agents, the organizatory type of reform involves more radical attempts at change, than in the more complete organizations. They not only try to infuse new content into existing organizational features, or to bring practice in line with principles, but mainly suggest new principles that imply a major change for the former agent. The content of organizatory reforms contrasts sharply with the classic conceptions of bureaucracy and with what are regarded as the traditional problems in such bureaucratic set-ups. In that world, the tendency for agents to become autonomous and self-serving has been regarded as one of the main practical problems of the bureaucracy, calling for reform in the opposite direction (Crozier 1964).

The Arena

An entity can also be 'incomplete' in terms of organization because its members, and what they do, are legitimately guided by external interests, values, norms and standards, rather than by an internally generated organizational policy. Entities may be set up to represent and handle conflicting interests (Brunsson 1989): parliaments provide an example of this. Other entities may represent specific competencies, so that entry into the entity and the activities of its members is controlled by professional norms and standards. Hospitals, for instance, must recruit registered doctors, whose professional activities are governed by their common education and the explicit norms of their profession. In some countries, universities have not had the right to choose their own professors; recruitment has been controlled by external experts such as professors from other universities.

Such entities can be described as arenas, whose members perform their tasks relatively free from control by the local leadership. Instead, they represent, or are controlled by, external parties. An arena may enjoy considerable autonomy *vis-à-vis* higher bureaucratic levels, but far less in relation to relevant external ideologies, interests, standards or norms. The boundaries between a parliament and the political parties are weak and vague, as are the boundaries between a professionally dominated arena and the relevant professions. Values and rules created outside the arena are crucial. Professional norms and standards make units associated with a particular profession similar to each other: it is difficult for a hospital or a university to define a clear profile or create an obvious niche for itself, except in relatively simple terms, perhaps by advertizing the generous resources it receives for certain specialities, or by claiming a higher quality compared with its fellow organizations.

The arena may include some of the elements of organization. It may have considerable control over material resources, and there may be a fair degree of internal co-ordination, but its external governance often leads to blurred hierarchial arrangements. Traditional hospital and university managements, for instance, are restricted in their control over activities. Arenas may contain more than one hierarchy. For instance, some professionals may control activities, while bureaucrats have the economic and administrative responsibility for them. Hierarchies within the professions, on the other hand, may be very clear, but they do not coincide with the boundaries of the arena.

In arenas built up round professional activities, the individual professionals — doctors or teachers, for example — generally bear a good deal of the responsibility for their own work and are often the main target for external inspection or complaints from clients. It is the professionals who act, rather than the arena as such.

The external parties associated with arenas, such as political parties, interest groups and the professions, tend to have their own distinctive rules regarding appropriate behaviour. Members of these external groupings learn how to rationalize the rules they represent, but their rationalizations are based on general, political, partisan or professional objectives, rather than on local, organizational ones (Abbott 1988). For instance, values about being economical or even efficient seldom loom large among the professionals, which can easily mean that what managers regard as good results and what professionals strive to achieve are by no means the same thing (Abernethy and Stoelswinder 1995).

For an arena to become a more complete organization, it therefore needs clear organizational boundaries, local hierarchical control over recruitment and over the activities of its members, a clear idea of its own special mission and characteristics relative to other organizations (in particular those with similar tasks), goals for the organization as such rather than general external objectives, and a local management responsible for achieving organizational results.

Entities that are perceived as arenas are often referred to by relatively narrow categories — such as parliament, university or hospital, for instance. Most organization theorists would subsume such entities under the general category of organizations, but they are marked out by certain peculiarities. In the case of agents, whenever the organization concept becomes the norm, arenas' weaknesses as regards identity, hierachy and rationality, i.e. their incompleteness in terms of organization, can provide reason for reform. Here, too, reforms that transform an arena in the direction of the organization concept imply an attempt at radical change. Recent public-sector reforms have included attempts at transforming services with some of the characteristics of the arena into something more resembling the complete organization. The targets for such reforms have usually been services with strong professional affiliations.

Organizatory Reform as Completion

We have argued that many public-sector reforms have introduced more aspects of organization into public services, thus turning them into more complete organizations. In other words, aspects of organization constitute the content of the reforms described above.

In some cases, the content of these reforms may have been designed without giving a thought to the concept of organization as such. Reformers and reformees may have been attracted by a certain feature of organization without relating it in any way to the general organization idea. In other cases, reformers have explicitly referred to the concept of organization in arguing for their reforms, as was illustrated in the second section.

In yet other cases, the concept of organization may have been the underlying mental image or frame of reference for reformers and reformees, without there being any explicit reference to it. Well-established institutions, such as the organization, may represent 'knowledge without concepts' (Bourdieu 1984: 470): institutions affect people's way of thinking, talking and acting, without being directly referred to. The content of the reforms may have been inspired by a line of thought built on the concept of organization, and the content may have inspired this line of thought. The concept of organization is thus invoked, but not mentioned. The explicit or implicit role of the concept of organization would explain why so many and such extensive organizatory reforms have been initiated, and why they have been so widely accepted. There are several indications that this may be the case.

First, the concept of organization may create a problem and thus the need for reform. There is nothing intrinsically problematic about being an agent or an arena. The agent and the arena are both modern, rationalized institutions, well embedded in established systems such as the state or the various professions. It is only when such entities are measured against the organization concept that their weakness as regards identity, hierarchy and rationality emerges as a problem. In a comparison with the general and abstract concept of organization, entities like agents and arenas seem incomplete — they lack certain aspects that the complete organization possesses. This incompleteness stimulates a desire for reforms that construct an organization. Just what aspects should be added to an entity will depend on the initial state, as described in the preceding section. An entity may lack the same organizational characteristics as the agent or the arena do, or perhaps a combination of both.

Second, many of the reforms we have described above have been launched smoothly during a relatively short period of time, and have met little resistance. With the possible exception of the most radical reforms, such as attempts at privatization — which in many countries have been a sensitive political issue — the need for reforms has often appeared self-evident, and the reforms themselves have not required much in the way of supporting arguments (Brunsson and Olsen 1997). This could be due to the invocation and acceptance of the organization concept, the introduction of which represents a switch to a different institution: when people find themselves in a different type of institution than they have been in before, they tend to change their norms, beliefs and behaviour much more quickly and more dramatically than they usually manage to do within a given institutional setting (March and Olsen 1989). Change also proceeds more easily if the new institution — as is the case with the organization — is a well-known one. Once people recognize this institution, they are likely to have similar ideas about what should be done, and this facilitates collective change.

Third, the organization concept may explain why reformers have often suggested packages of change, or why reforms of individual aspects have come in strings, in both cases projecting an image of a complete or almost complete organization. The various aspects of organization are likely to appear together or to follow quickly upon one another, because they all belong to the organization concept, and this concept and its particular logic determine what should be done: a strong local hierarchy, for example, presupposes a certain degree of autonomy; the measuring and accounting for collective results presuppose clear boundaries and a certain degree of coordination; accounting demonstrates results and allocates responsibility; rationality presupposes objectives. It is not necessary to wait to acquire practical experience of one organizational aspect before introducing another one; different aspects succeed each other by the dictates of logic (and therefore quickly) rather than awaiting practice. Even the suggestion of introducing one aspect may be enough to trigger the suggestion of others.

In this way the organization concept can also expand and reinforce attempts at reform by creating more reformers: if reformees accept the idea that their entity is, or should become, an organization, they may become reformers themselves. Reforms can also be demanded and initiated by others: the discrepancy between a public service and the organization concept may be perceived by rank-and-file members or by external parties, who will then generate a demand for reform. When the funding of Swedish schools was made dependent on pupil numbers, local managers asked for more autonomy; when parents were able to choose schools for their children, they asked for information about the specific profiles of the different schools.

Sometimes ideas about particular features of organization may trigger the idea of organization, rather than the other way round. Policy makers or local managers may have been attracted by certain popular ideas about leadership or management accounting techniques, and later have found out that these ideas or techniques actually presuppose the existence of a complete organization. In arguing for the favoured techniques, they have then found it necessary to claim organizational status, and the concept of organization has then inspired further organizatory reforms. For example, people may have wanted to increase quality and may have thus been attracted by quality standards. The advocates of such standards often emphasize that they are useful for 'organizations' (Henning 2000), and the standards are indeed based on the organization concept (Furusten 2000). In implementing such

standards, the entity concerned easily comes to be seen as an organization that also needs other completing reforms. Hence, even if no explicit reference was made to the concept of organization, when people were first attracted by a specific organizational aspect, nor was it present even as an implicit frame of reference, it may have been brought to mind by the aspect that had first aroused people's interest, thus triggering further organizatory reforms.

Finally, the concept of organization as a frame of reference may also explain a certain element of imitation in public-sector reforms. Once something has been constructed as an organization, it becomes vulnerable to further reforms of a kind common in organizations. The idea of being an organization may lead to reforms inspired not only by the abstract concept of organization, but also by the example of other more complete organizations. Once a public service has come to be regarded as an organization, it seems natural to compare it with other organizations, and in looking for improvement, it is tempting to compare it with organizations that are believed to be more 'real' or complete. When modern corporations are viewed in this way, we can expect an increasing 'company-ization' of the public sector (Brunsson 1994; Forssell and Jansson 1996): the introduction into public services of whatever specific ways of displaying organizational aspects as happen to be popular among companies at the time.

Some of the reforms discussed here have sometimes been described as organizational fashions, and reformers as the followers of fashion (Abrahamson 1996; Røvik 1996). This interpretation on its own does not explain the content of the reforms — there are, after all, many fashions around. We suggest, instead, that following a fashion is more likely to be the effect, rather than the cause of the organizatory type of reform. Organizations are the entities most likely to be vulnerable to organizational fashions. It is not until an entity has been envisaged as an organization, that organizational fashions become positively and routinely attractive, or even difficult to resist. Reforms that construct the organization make organizational fashions spread more widely. New fashionable models for organizational leadership will be more readily adopted, for instance, if there is already an organizational leadership possessing a certain autonomy and authority. Once organizational status has been envisaged, it is easier to argue for the use of experts, consultants or training of a kind that target organizations and that tend to reinforce the organization concept.

Hence reforms that construct organizations may trigger more reforms of the same kind, and all these reforms tend to be repeated. Introducing the idea of organization does not guarantee that practice will be fully consistent with this concept, and the discrepancies between principle and practice tend to stimulate recurring reforms, just as they do in organizations that have long appeared complete.

Incentives for Constructing Organizations

We have argued that entities like agents or arenas are likely to be perceived as requiring complementary reforms, if they are supposed to be — or to be becoming — complete organizations. We have also noted that the very notion of the organization may trigger or reinforce organizatory reforms.

This brings us to the difficult task of explaining why people invoke the idea of organization, why they can become convinced that what was formerly accepted as an agent or an arena is, or should now be, a complete organization.

On a very general level, it can be argued that the recognition of certain entities as complete organizations is consistent with a current tendency to perceive individual people or organizations as actors, highly autonomous and self-interested, who interact with other actors on markets or in various negotiations (Meyer et al. 1987). If we wanted to explain more fully and in process terms why the concept of organization is invoked, we would need detailed empirical studies of the way the organization concept and the organizatory reforms have spread into various settings. In this section, we will merely indicate a few directions in which such explanations may be sought.

First, explanations can be based on the assumption that intentions, strategies and plans do matter. Perhaps policy-makers and reformers have consciously chosen a strategy aimed at constructing organizations. During the eighties public sectors were growing rapidly in many countries, and in doing so they came under strong political attack and were criticized for a number of alleged shortcomings. There was also widespread agreement that their expansion should be restricted, or their size even reduced. Attempts along these lines then produced further complaints. The very size of the sector makes it difficult to control from the top, and bearing responsibility for all this while not having much control over it, cannot be a very attractive task.

In a traditional state bureaucracy the main responsibility resides with the policy makers, since they are perceived as the only real actors. Whether or not they agreed with the criticisms, policy makers may have found the responsibility difficult to bear and the imbalance between power and responsibility awkward to deal with. It may have seemed wise to share this responsibility with others, for instance with a large number of organizations and their managers.

Second, the policy-makers may have planned to generate something new, but not organizations as such. They may have planned to introduce markets, and acquired organizations as a side-effect. The market was a popular model at the time, and markets or market-like conditions were introduced into various parts of the public sector. This may have stimulated the rise of organizations.

A market requires actors (individuals or organizations), who can supply or demand goods and services. For the market to function well, it is impor-

tant that the boundaries between the actors are clearly perceptible; it is necessary to know who owns what, and how property rights are transferred between actors. Market actors must have a certain degree of autonomy — they should be able to choose what to buy and sell, and who to deal with. It is also assumed that market actors are intentional and rational — that they act in accordance with their own intentions and interests (Brunsson and Hägg 1992).

Thus, complete organizations constructed as actors fit better with markets than either agents or arenas. If markets are introduced, we can expect more organizations to emerge. The example of Swedish schools, mentioned above, provides a case in point. Markets may constitute an alternative to a strongly coherent state bureaucracy (Lindblom 1977), but they accord well with state organizations.

Third, events that were not part of any grand plan, or that were not planned at all, may have helped to reinforce the organization concept. Fairly small changes in views or practices may have created or supported the need felt for more complete organizations. The customer concept, for instance, could have been such a trigger. It was a concept that was enjoying some popularity at the time of our observations (Forssell and Jansson 1996; Sahlin-Anderssson 1996), and it obviously agrees better with a powerful modern conception of the individual than the notion of the client or even the citizen. Customers, like the modern individual, enjoy autonomy, have preferences, and possess the right and ability to choose what is right for themselves (Brunsson 1996; Meyer and Jepperson 2000). A customer normally operates on a market. If public entities start seeing an important part of their environment as customers, or if people in the environment start seeing themselves as customers, then people may also start seeing markets and organizations where there were none before.

Another factor which may have helped to give prominence to the organization concept could be the popularity of evaluations and auditing. Evaluations have become common in the public sector, typically targeting individual services (Power 1994, 1997; Rombach and Sahlin-Andersson 1995). An evaluation defines the unit to be evaluated in organizational terms — its boundaries, results and responsibilities. It also compares results with objectives. Hence the absence of clear objectives is seen as a major problem. When results are difficult to measure, evaluations often come to focus on the administrative systems, which are expected to reflect the organization concept. In recent Swedish evaluations, for instance, good social care has been equated with the existence of written policy documents and the presence of well-qualified managers (Socialstyrelsen 1992; Olsson 1995).

Finally, directives appear to have become less popular and less acceptable in the public sector, as in many other social settings, and advice now tends to be more popular. Several national boards in Sweden have become advisory rather than directive: their authority is based on expertise rather than on any right to issue orders or binding rules (Jacobsson and Sahlin-Andersson 1995). In the European Union, much co-ordination and control

is supposed to be effected by way of voluntary standards rather than binding directives (Vad 1998). The substitution of advice and standards for directives can be seen as something that creates more autonomy at the local level, but the very act of providing advice and standards also assumes that the recipient already enjoys some autonomy. Directives can be issued to subordinates and agents, whereas there can only be any point in offering advice and standards to actors possessing a certain autonomy, who can evaluate and act upon them if they meet with their approval (Brunsson and Jacobsson, Chap. 9, 2000).

Clearly, all these factors can be both causes and effects: they may reinforce the idea of organization, and they may be reinforced by it. The various factors may also directly reinforce each other. The idea of organization in public-sector reforms did not appear all by itself: in fact, it appeared together with a package of other ideas and practices. In the fourth section, we argued that organizatory reforms themselves come in the shape of a package, not as a number of isolated ideas, or that one idea may bring a whole package in its wake. The same may well apply to the explanations mentioned here, i.e. the factors cited can also appear as packages or strings, whereby one idea or activity is accompanied by — or quickly leads to — the next.

Conclusions

Students of social life and the people they study often share common conceptual frameworks, which means that, to a great extent, they interpret or construct the social world with the help of the same or similar concepts. They learn from each other. Students of organizations have often usurped the privilege of deciding when the organization concept should be applied, without consulting those who are acting within, or in association with, these putative organizations. There may, in fact, be a discrepancy between how the people observed define their own situation and the researcher's definition of the same situation. People's definitions may vary considerably; they may change either quickly or slowly; and they may not be very predictable, given the present state of our knowledge. None the less, the concepts used by people to construct and make sense of their own reality do have important consequences. For instance, people will behave differently if they see themselves as acting in an organization rather than in some other context, and their beliefs and norms will differ accordingly. Every major concept, such as the organization, the market, the family, and so on, can be expected to arrive bearing a whole set of beliefs, norms and practices.

We have sought to illustrate this thesis by demonstrating the way in which aspects of the concept of organization have come to be applied to new areas, and some of the consequences that this has had. We have argued that even seemingly minor changes in the way something is understood — viewing it as an agent, an arena or an organization — have important implications: certain aspects, issues or problems emerge as more important than

before, for example, and this, in turn, can affect the kind of changes that are seen as desirable and acceptable.

Two issues call for further exploration by researchers in the organizational field: we need to ask what it is that makes people liable to construct the organization rather than any other social form, and we need to know more about the consequences of being an organization. Indeed, these issues are fundamental to the field.

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Developing Managers: The Functional, the Symbolic, the Sacred and the Profane*

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Abstract

This paper offers a new perspective on international management by examining the role of culture and management development in creating international expertise, a sense of identity and realizing organizational control. A critical analysis of the culture transmission and management development philosophy and practice of a UK-based transnational reveals how the transmission of culture accomplishes management development objectives, while management development itself serves as a vehicle for the transmission of the desired corporate values. This recursiveness is sustained by a corporate ideology that urges the creation of integrative values and, in turn, is legitimized by the quest for favourable functional and symbolic consequences.

Descriptors: management training and development, culture, ideology, functionalism, symbolism

Introduction

Reconciling headquarter–subsidiary interests while maintaining a distinct identity continues to be a major challenge for multinational firms, hence the think global/act local paradox. For Ghoshal and Bartlett (1990) this problem can be addressed by effectively handling the network of exchange relationships. Other solutions include socialization and the management of expatriates (e.g. Edstrom and Galbraith 1977; Tung 1982); managing relationships between expatriates and host-country subordinates (e.g. Shaw 1990); creating cultural synergy (e.g. Adler 1980); fostering cooperative relationships and developing conflict-resolution mechanisms (e.g. Doz et al. 1981); diffusing 'best proven practices' (e.g. Rosenzweig and Singh 1991); reconciling organizational linkages (e.g. Borys and Jemison 1989) and diffusing and leveraging knowledge (e.g. Gupta and Govindarajan 1991; Kamoche 1996). Bartlett and Ghoshal (1989: 187) found that successful transnational firms used management development 'to build cultural norms, shape organizational processes and influence individual managerial behaviour in a way that reinforced worldwide strategies and organizational objectives'. This implies a potentially integrative role for culture and management training and development (MTD).

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