



Theory and practice

The tension between theory and practice, introduced by combining economic and sociological theory with the normative interests set forth by classical management scholars during its prehistory, has been present in organization theory for nearly a century. It is still going strong. This chapter introduces pragmatism, a theoretical perspective some credit with being the source of this tension, and others see as its future. Next we consider ways in which organization theory has provided practical guidance to managers in their efforts to design organizations and how the question of organizational design is morphing into interest in the new organizational forms emerging in response to the complexity and dynamism of our globalizing world. Organizational change will be tracked through a similar course alteration as it becomes less a question of managing or leading change and more one of coming to terms with the dynamics of organizing, becoming what today in organization theory is addressed through concepts like institutional entrepreneurship. The chapter ends on two of pragmatism's most obvious but not yet well developed contributions to organization theory—practice theory and process theory—both of which will provide context and vocabulary for addressing the topics presented as Chapter 10.

Is pragmatism the new normative perspective?

American pragmatist philosopher John Dewey believed that all knowledge was the product of human inquiry, which he defined as the search for practical solutions to the challenges life presents. Dewey grounded his **pragmatism** in the belief that what and how we know—our ontology and epistemology—and our motivation to seek or create knowledge, derive from our practical nature.¹ Everything we do, including organizing, theorizing, and philosophizing, we do because we find it useful in some way or other. Thus the proven usefulness of an idea became pragmatism's key criterion for determining what is to be considered knowledge and granted the status of truth. An important implication of this central pragmatic idea is that truth and knowledge are always provisional, they shift and change with experience, which itself is ongoing, plural, and equivocal.

Charles Sanders Peirce and William James, who founded pragmatism, developed their views by rejecting modern philosophy.² Specifically, they rejected the idea of scientific progress, the search for absolute truth, and modernism's dependence on the duality of thought. For example, they opposed what Dewey once described as 'the spectator theory of knowledge' adhered to by many modern philosophers. Pragmatic belief that all knowing

derives from doing made it imperative that knowers involve themselves in the production of knowledge, rather than being passive observers.³

Practicing what his theory taught him, Dewey applied pragmatism to education.⁴ He believed that if learning is the product of lived experience, then education should provide students with opportunities to learn in the context of doing things. Teachers were to facilitate learning by putting students into practical situations and helping them discover what works for them. To contradict the implications of the spectator theory of knowledge, Dewey recommended that educators cultivate imagination and respect the inseparability of inner and outer ways of knowing, in other words, objective materials were to be regarded always and everywhere intertwined with subjective meaning.⁵ It is in this sense that the experienced object and the experiencing subject form a pragmatic unity, as do other dualistic oppositions of modernism when viewed from the perspective of pragmatism, such as mind/body, stability/change, and structure/agency. In these beliefs, pragmatism anticipated postmodernism by nearly a century.

Modernist organization theorists thus far have mainly used pragmatism to reassert the practical side of the theory/practice duality in organization theory. By reining back what many modernists experience as esoteric postmodern ideas, some see in pragmatism a needed corrective to the chaos of multiplicity threatening to undermine modernism's dominance. On the other hand, as already noted, many postmodernists see pragmatism as further support for their aims and ambitions. Mutual acceptance gives pragmatism the potential to move organization theory beyond old and tired debates to explore new or at least different territory.

One way to think about pragmatism's potential might be to compare how each of our three perspectives would respond to the pragmatically inspired question raised by Kurt Lewin's maxim: if there is nothing so practical as a good theory, what, exactly, makes a theory practical? For advocates of the modern perspective there is an obvious answer: practicality is to be found in the ability of a theoretical explanation to indicate useful solutions to practical problems such as how to structure an organization, respond to environmental or technological change, or create a culture that supports the strategic direction set by management. However, when symbolic or postmodern perspectives press us to find practicality in theoretical understanding or critical appreciation, what to regard as useful theory is less obvious. What do these perspectives offer that can be considered practical?

The problem we face is not that understanding and appreciation have no practical value, it is that their usefulness is of an ontologically and epistemologically different order than that of explanation. Knowing why something works lends itself to controlling outcomes. But one does not seek to use their understanding of phenomena to control them, understanding provides insight and a deeper feeling for the thing, the person, or the process at which understanding is directed. Similarly appreciation is not oriented to the control of outcomes or even to insight, it is oriented to the unfolding of possibility through, as Dewey would have it, artistry, intention, and imagination.⁶ These different approaches to the practical require adjusting expectations and actions to the kind of theory and the sort of practice being engaged. Understanding and appreciation are simply not practiced in the same way that explanation is. Remember that just because a theory's practical value is not realized intellectually does not mean it has none. Practical value can as easily be actualized by feeling,

hearing, or seeing, by engaging in action (i.e., learning tacitly by doing), and by exercising empathy, imagination, artistry, and intuition.

To better accommodate pragmatism to organization theory, I will now look backward at two ways that organization theory has been applied to the practice of organizing—organizational design and change. Looking forward, I then attempt to reformulate these ideas in ways that make them more compatible with new developments within the field, specifically practice theory and process theory.

How do you design an organization?

Today globalization and other changes in organizational environments and technology demand new solutions to the perennial problem of how to organize. Contingency theory implies there are many valid solutions, but formulaic efforts to determine what design works best in a given situation have proven unsatisfactory. To get into some of the technicalities modernists cite to explain these shortcomings, the complexity of the phenomenon, coupled with difficulties in defining and measuring all possible contingencies, prohibit mathematical models from converging on clear solutions. Nonetheless a combination of theory and practice has produced certain generic organizational designs that offer the main choices practitioners face.

Theories of **organizational design** are normative by nature in that they seek to address the problem of intentionally selecting and implementing organizational structures and processes to enhance organizational performance. Modernists have traditionally led the field in normative influence, while the main contribution of the symbolic perspective has been to urge organizational designers to be sensitive to the culturally embedded meanings that contextualize all social orders and to the symbolism of representations like the organization charts often used to communicate different organization designs. Studies of the human consequences of organizational design for everyday experience have aided postmodernist efforts to bring the interests of those subjected to organizational design into focus, along with any processes establishing hegemony or leading to exclusion or marginalization. Postmodernists critique organization design in order to prescribe ethically desirable alternatives to structuring practices, such as workplace democracy, or to call for resistance and subterfuge as escape routes defying an organization's restrictions on individual freedoms.

From a modernist perspective a good organizational design optimizes organizational performance by balancing elements or dimensions of social structure such as differentiation and integration. Modernists often use criteria such as efficiency and effectiveness to judge competing design solutions. For instance, organizational design is deemed effective if it guides the attention of employees to the differentiated activities that fulfill an organization's strategy, if it promotes ease of integration among all employees, and supports and coordinates their activities. A design is efficient if it minimizes the time, effort, and resources needed to achieve organizational goals.

Careful analysis of an organizational design will reveal where efficiency and effectiveness are not achieved and organizational design changes can be implemented to address these problems. Bear in mind, however, that every social structure has gaps resulting from the practical impossibility of perfectly integrating a complex and highly differentiated

organization. Conflicts resulting from gaps should therefore not necessarily be interpreted as bad; they may function in ways that allow an imperfect social structure to work in spite of its imperfections.

Organization theorists and managers alike use **organization charts** to get a quick impression of an organizational design. Organization charts are tools for mapping the structure of roles and responsibilities distributed throughout an organization and can be useful for redesigning an organization structure as well. They provide a fairly clear representation of the hierarchy of authority and a general idea of the division of labor, but, organization charts do *not* offer much information about coordination mechanisms, informal relationships (although some can be represented with dotted lines), or the distribution of power that flows outside the formal hierarchy.

Generic organizational designs

There are several generic organizational designs that organization theorists and managers use as templates for designing organizational structures. Modernists have conducted much research over the years that enables them to characterize these organizational designs in relation to the theoretical concepts of social structure, technology, environment, conflict, control, and culture, and to relate these characteristics to performance outcomes that practitioners like to measure. The primary findings from these studies are offered along with descriptions of each design, and an organization chart showing a generic or actual example is offered where appropriate.

Simple organization

Extremely small and/or highly organic organizations often appear to have little if any formalized social structure or rules; their typically emergent organizational design is best described as simple. Simple designs characterized by completely flexible social relationships with limited differentiation evidence almost no hierarchy. There is little need for delegation and little opportunity for specialization in a simple organization since everyone works, more or less, side-by-side to get the job done.

In a simple organizational design the assignment of tasks determined by management decree or by mutual agreement is open to direct and informal coordination and supervision that occur as part of the flow of activity with those in authority being constantly available for consultation and instruction. Simple organizational designs are characteristic of newly formed organizations (e.g., an entrepreneurial venture) or permanently small organizations (e.g., a traditional, one-dentist dental practice). They also occur within prototype laboratories, product design or project teams, in cross-functional management groups, and in many subunits of large organizations, or they can result from de-differentiation of one or more of the structures produced by the following organizational designs.

Functional organization

Organizations that grow too complex to be administered using a simple design usually adopt a functional design to cope with the increased demands of differentiation. Functional designs

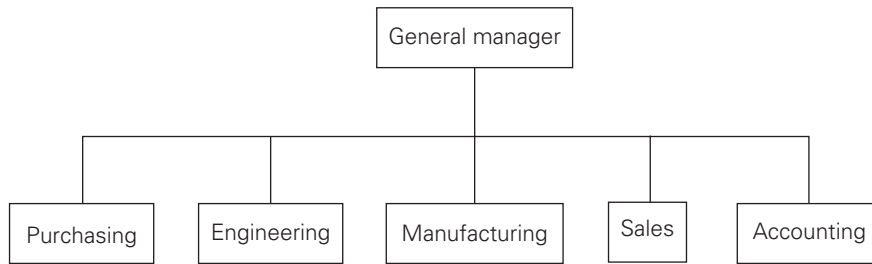


Figure 9.1 An organization chart showing a functional design

are so called because they group activities according to a logic of similarity in work functions (the nature of the work people perform). But functional similarity usually also implies high levels of task interdependence and common goals. For instance, the functions of a typical manufacturing organization include jobs grouped into units that are responsible for production, sales, purchasing, personnel (or human resource management), accounting, and engineering, and may also include the functions of finance, marketing, R&D, public relations, communication, and facilities management (Figure 9.1). Within each of these functions, people do similar kinds of related or interdependent work tasks and strive to accomplish a particular set of goals. You will find functional designs in common use among many government organizations, as you can see in the organization chart for the city and county of Honolulu (Figure 9.2).⁷

Functional designs maximize economies of scale resulting from specialization and thus are efficient in the sense that they limit duplication of effort. The logic of functionally designed organizations is highly transparent to employees who can easily recognize the connections between the tasks performed within their function and the tasks others perform (e.g., marketing work is easily differentiated from accounting or manufacturing work). The downside of the functional differentiation of work tasks is that employees may develop greater loyalty to their function than to the organization as a whole, leading to the problem of functional silos.

Functional designs give the top manager tight control in the sense that she or he is the only person whose position gives them the big picture with respect to what everyone else in the organization is doing. This tight control, however, can also be a major shortcoming. For example, as the solitary pinnacle of authority, the top manager can easily become overburdened with decision-making responsibilities, particularly when the organization starts to grow. And, because no one else in the organization has the same breadth of perspective and responsibility, if the top manager is suddenly lost, other managers in the organization will likely be ill prepared to take over.

Multi-divisional (M-form) organization

In developmental terms, the organization that outgrows a functional design will often turn to the multi-divisional form (M-form, for short) as a means to alleviate overburdened decision makers. The M-form is essentially a set of separate functionally structured units that report to a headquarters staff (see Figure 9.3). Division management of each functionally structured

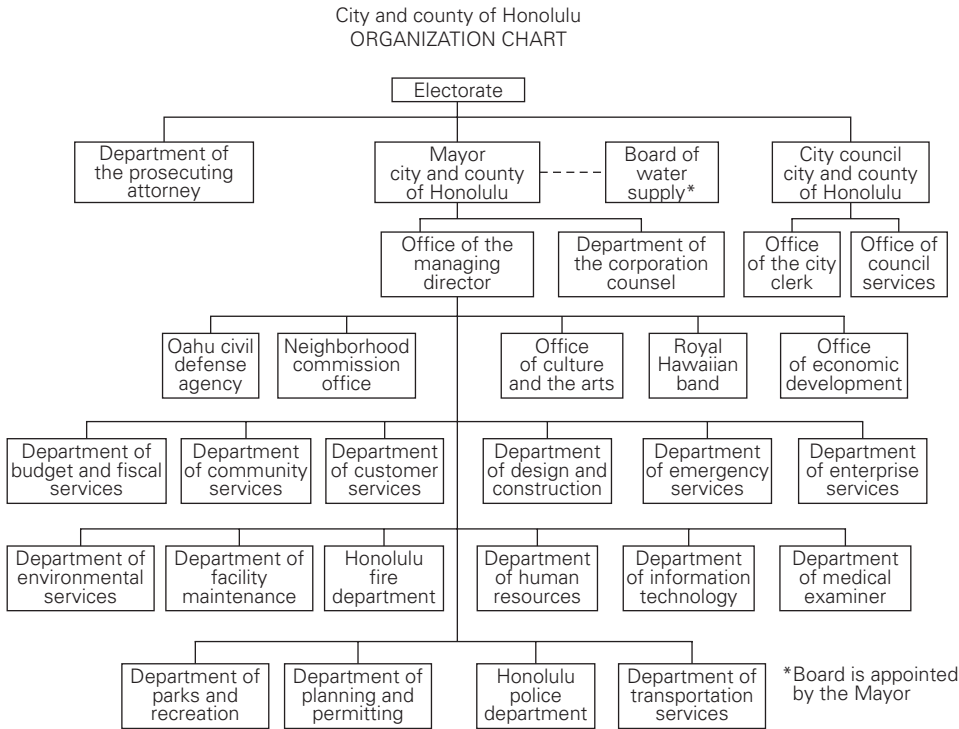


Figure 9.2 Organization chart for the city and county of Honolulu

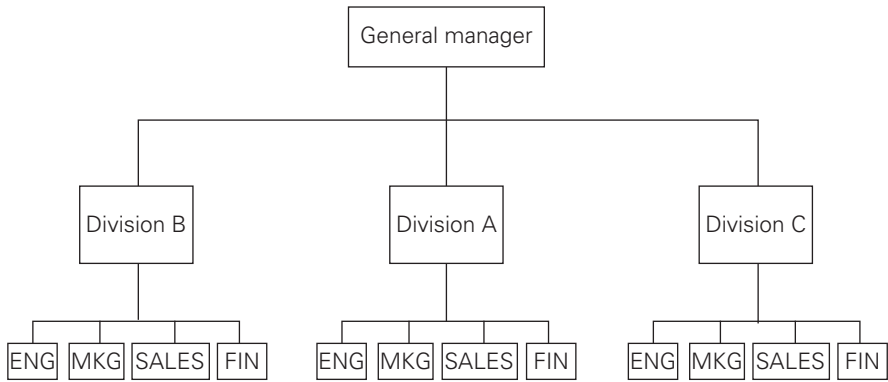


Figure 9.3 An organization chart showing a multi-divisional design

unit is responsible for managing its own day-to-day internal operations (e.g., production scheduling, sales, and marketing), while the headquarters staff assumes responsibility for financial controls and long-range strategic developments.

M-form organizations group people, positions, and units in one of three ways: by similarities in products or production processes, customer type, or geographical region of activity.

For example, the NASA Glenn Research Center has four Directorates (Aeronautics, Research and Technology, Space, and Engineering and Technical Services) each of which is subdivided into product divisions.⁸ British Telecommunications (BT) is divisionalized by customer type, with divisions that include BT Global Services (worldwide business services and solutions), BT Retail (residential and end-business customers), BT Wholesale (telecommunications networks, sales of network capacity and call terminations to other carriers), BT Exact (network design, telecommunications engineering, IT systems, and other services to BT businesses), and BT Openworld (international mass-market Internet), all of which are managed by the holding company BT Group plc.⁹ The United States Geological Survey (a Department in the US Department of the Interior) is divisionalized on the basis of three geographic regions: Western, Central, and Eastern.¹⁰

When they are treated as profit centers, multi-divisional designs allow for a type of accountability that is not possible in functional designs; each division can be assessed in comparison with its competitors on the basis of performance in the marketplace, whereas the higher level of interdependence among groups in a functional design makes this type of accountability impossible. However, you should recognize that, within each division of an M-form organization, the problem of functional accountability remains. Nonetheless, M-form organizations are usually able to offer enhanced responsiveness to the needs of customers because the specialization of the organization allows greater focus on the businesses each division operates.

Sometimes companies operate divisions in different industries rather than just divisionalizing products within an industry. Such organizations are known as conglomerates or holding companies. Conglomerates are usually formed by merger or acquisition of other organizations, although not all mergers and acquisitions result in conglomerates. The reasons for forming a conglomerate are generally financial, involving investment opportunities rather than concern for technical economies or market advantages such as are produced by vertical and horizontal integration, which can also be achieved through merger or acquisition. Since the core activities of the conglomerate often consist of unrelated technologies operating in different environments, all information must be reduced to a common denominator in order for top executives to make the comparisons that drive their budgeting decisions. The common denominator is profitability, and therefore concern for profit becomes the driving force within these organizations.

As with other M-forms, strategy at the corporate level of a conglomerate focuses on managing resource flows into divisions, which is accomplished using capital investment and budgeting procedures and by creation, acquisition, or divestment of divisions. Business-level strategy and operating decisions are delegated to divisional heads. The main difference between the conglomerate and other M-forms is that top executives of conglomerates come to view their organizations almost entirely in financial terms, rather than in terms of providing goods or services to a particular market or environment. This way of thinking trickles down to the rest of the organization, for example, by creating enormous concern for budgeting decisions, and thus middle managers learn to focus much of their attention on the financial reports that they provide as input to budgeting decisions, sometimes at the expense of other aspects of the business.¹¹ (Figure 8.1 showed a generic example of this sort of control system with resources flowing from the environment downward to all levels of the organization while the reporting of how budgeted resources were converted to performance flows in the opposite direction.)

Most if not all outcomes within the divisions of a conglomerate depend upon decisions concerning how profitability is to be calculated, and arguments over these calculations abound. For example, when divisions sell products to one another, conflicts occur over transfer prices. This is because one division's costs are another division's revenues. The irony of the M-form is that, for all their emphasis on profit, M-forms generally turn out to be less profitable than their functional equivalents, in part due to the resources diverted to waging political battles.¹² A greater irony is that the financial management model developed within conglomerates has become an institutionalized feature of many organizations that use other types of design. In spite of the evidence that the M-form is usually less profitable than other designs, institutional pressures supporting this type of structure cause many managers to prefer the M-form. That and the fact that, generally speaking, the bigger the organization, the fatter the salary top executives demand, which also undercuts the M-form's profitability.

Another reason that M-form organizations are not as profitable as those using functional designs is that instead of one sales, accounting, production, and purchasing department, the M-form organization has one of each for every division. To the extent that some of the work of these departments is redundant, M-form organizations will be more costly to operate. This redundancy can only be reduced by centralizing some functions (e.g., sales force, supply chain); however, coordination costs are high and the advantages of responsiveness to the market will be lost if the organization moves too far back toward a fully centralized functional design. The costs of integrating multi-divisional structures are also greater. Top management must coordinate across several divisions that are often geographically separated. Increased complexity is costly in terms of control loss, travel, and demands for communication.

In spite of the drawbacks, the M-form has several advantages to recommend it. The first of these is size. Multi-divisional organizations consistently grow larger than their functional counterparts. Size gives organizations a competitive advantage in that large organizations have greater influence on their environment and usually occupy more central positions in their inter-organizational networks than do small organizations. Larger organizations can typically hire the best executives because most are attracted to the power and influence large organizations command, not to mention the salaries they offer. Furthermore, the resources that are under the control of large organizations give them more opportunities to broaden their competitive activities both domestically and abroad. The M-form also provides better training for future executives than does the functional structure—divisional managers operate with roughly the same perspective and set of responsibilities as would the president of a functionally designed organization, and headquarters staff acquire broad-based experience that is unlikely to be gained within the functional form.

Matrix organization

The matrix design was developed with the intention of combining the efficiency of the functional design with the flexibility and responsiveness of the M-form (Figure 9.4). You can think of the matrix organization as having two structures, each of which is the responsibility of a different group of managers. Managers on the functional side of the matrix are

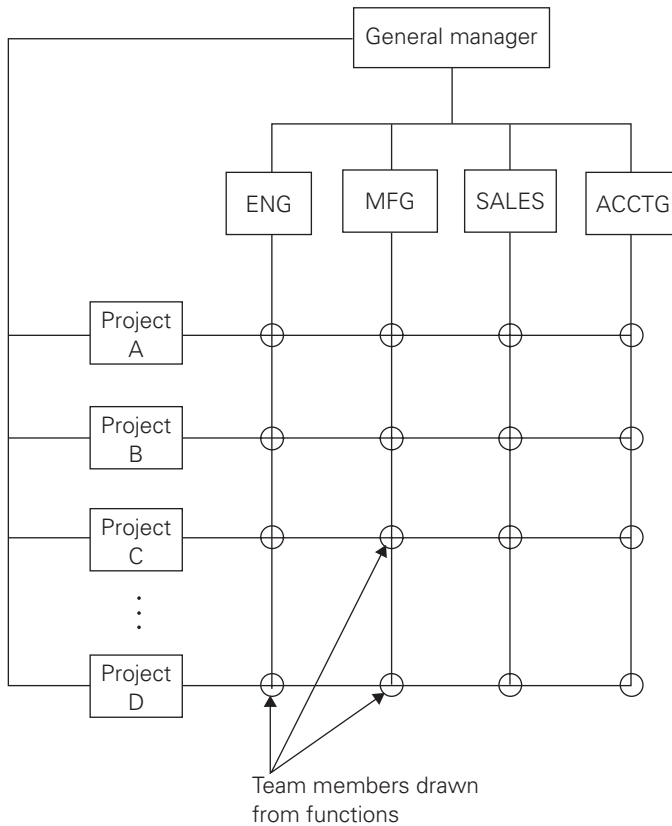


Figure 9.4 An organization chart showing a matrix design

responsible for allocating specialists to projects, helping them maintain their skills and acquire new ones, and monitoring their performance with respect to the standards of their functional specialty.

Managers on the project side of the matrix are responsible for overseeing specific projects: planning the project, allocating resources, coordinating work, monitoring task performance, and ensuring project requirements and deadlines are met. The goal of project managers is to bring the project to completion on time and within budget.

The greatest difficulty in using the matrix design lies in managing the conflict built into the dual lines of authority to which employees working inside the matrix are subjected. Functional managers will expect their matrix employees to meet the requirements of their specialty, while project managers want them to adjust to the requirements of the rest of the project team and meet or exceed customer expectations. Thus matrix employees confront the, often contradictory, expectations of performing complex tasks to high quality specifications while at the same time facing pressure to minimize costs and meet tight schedules. When employees serve on more than one project team, they face the additional pressure of conflicting demands from multiple project leaders. You should recognize,

however, that it is this same conflict that provides the primary benefit of the matrix structure in that it promotes simultaneous attention to both functional standards and project demands.

Conflict is also built into the jobs of functional chief and project boss. For example, at this level in the matrix conflict frequently emerges over the assignment of persons to projects. Obviously some individuals and some task assignments will be preferred over others and political maneuvering is to be expected in the project team formation process. Another challenge with matrix structures is that the person responsible for the total matrix design will need to balance the functional and project interests to be certain that one side of the matrix does not dominate the other. The result of an imbalance is to lose most of the benefits of using the matrix form, either the flexibility of the M-form or the efficiency of a functional design.

In spite of the considerable difficulties inherent in adapting to the conflicts and pressures of a matrix, this organizational design has offsetting advantages to recommend it. One is enormous flexibility to take on new projects. Within both functional and M-form designs, starting up a new activity generally requires a major structural adjustment (i.e., adding a responsibility to every function or creating a new division), whereas starting a new project is a common event within matrix organizations that only requires naming a project manager and recruiting a team. Thus a matrix retains the flexibility of the M-form to provide customer service and respond to opportunities in the environment.

Another advantage of matrix designs derives from their unique ability to maximize the value of expensive specialists. This is because the talents of specialists can be pooled for use among a wide variety of projects, some of which may be otherwise unrelated and thus likely to remain structurally unconnected in the M-form. Although the individual specialist will have to deal with the fragmentation that this disconnectedness implies (e.g., working on two or more unrelated projects for project managers who have little concern for the specialists' competing responsibilities), from the perspective of the organization, the sharing out of specialized capabilities creates the considerable efficiency the functional design offers relative to the M-form. This is because where the M-form would hire potentially redundant specialists for each of its divisions, the matrix can more easily use its specialists to their full capacity.

Hybrid designs

The organizational designs already examined represent pure types, and organizations will not always conform to one of these. Hybrid designs are partly one design type and partly another. For example, a research and development division may use a matrix, while other divisions are organized functionally. Hybrids may occur either because designers deliberately mix forms in an attempt to blend the advantages of two or more different types, or because the organization is changing and is only part way to realizing its new structure. Most big companies today are hybrids that combine corporate staff functions, matrices, and divisions. Hybrid forms can be confusing in that the basis of relationships changes as you move from one part of the organization to another. On the other hand, the hybrid form allows the organization the flexibility to adopt the design most appropriate to the varied needs and preferred ways of working of its different subunits.

Strategic alliances and joint ventures

Strategic alliances represent contractual, often long-term, relationships created between different organizations to allow collaboration on new opportunities, such as the development of a new product or technology transfer. Alliances can be formed with or between government organizations or with organizations in the same or different industries or countries, and even between competitors. They can take the form of joint ventures or contracts (e.g., licensing arrangements, supplier and distributor contracts) and involve two or more organizations cooperating to design, produce, and distribute a product or service. In a joint venture (JV), a separate organization (the JV) is created to manage the relationship, whereas in a contractual alliance there is no new organization, at least not formally speaking. Companies operating within both alliances and joint ventures help their partner organizations utilize the parents' strengths, reduce uncertainty, learn, minimize costs, share risk, and facilitate low-cost entry into new markets.

Nissan and Renault exemplify a successful alliance between two global automotive manufacturers, headquartered respectively in Japan and France. These organizations are legally separate companies that compete in a few markets but who share manufacturing facilities, automotive designs, and, from time to time, executives. Carlos Ghosn, on loan from Renault to hold Nissan's CEO position during its remarkable turnaround, now heads up both Renault and Nissan.

Airbus is an example of a joint venture. This European consortium of French, German, Spanish, and UK companies was established in the 1970s to enable the Europeans to share development costs and compete with much larger US aircraft manufacturers. In 2001 Airbus became a single company incorporating the joint stock of EADS and BAE. Based in Toulouse, France, the company is managed by an executive committee of ten members and so far has captured about 50 percent of the global aircraft market.¹³

Multinational corporations (MNCs) and global matrix organization

In these days of increasing international competition, many organizations are strategically positioning themselves to take advantage of global opportunities. An organization that desires to move beyond a purely domestic orientation to operate on a multinational or even a global scale will confront the need for structural adaptation. This is because the new orientation will require the organization to engage in new activities that put differentiation pressures on existing structures.

For example, a functionally designed organization that merely wants to market its products or services abroad, or wants to take advantage of low-cost labor to produce products for home markets, will generally form a new department to handle the details of import and export, usually by subcontracting with experts in the markets in which the organization wants to be involved. At this stage the organization is really not multinational because it remains committed to the logic of its domestic business, but it has started the differentiation process by adding a new structure.

As experience with non-domestic markets accumulates, the organization will typically become aware of additional opportunities abroad and become more experienced at addressing them, at least in one or a few of its foreign locations. At this point many of the

activities that were originally subcontracted will be brought in-house and an international division will be formed. Notice that the M-form structure adopted at this stage allows the organization to maintain essentially a multi-domestic orientation. That is, it acts like a firm operating domestically in several national markets simultaneously, similar to the way a conglomerate operates in several industries at the same time.

When the activities of the firm can no longer be separated into either domestic or international units, and the international division is replaced by a multinational product or geographic M-form structure in which all units engage in the coordination of international activities, the multinational corporation (MNC) appears. This shift typically occurs when international sales become the main source of organizational revenues and as suppliers, manufacturers, and distributors from a variety of countries form an interdependent inter-organizational network on a truly multinational scale. As with conglomerate M-forms, an organization can achieve a multinational structure either through internal growth, or through joint ventures, mergers, and/or acquisitions.

The multinational product or geographical divisional form confronts the same drawbacks as do domestic M-form organizations. The desire to be more efficient and flexible leads to global matrix structures like that depicted in Figure 9.5. In a global matrix there are managers of geographic regions and of products or product groups such that local units are organized both by interests in corporate effectiveness related to serving a particular region of the world and by interests in developing the corporation's knowledge and efficiency in regard to production across regional markets. Each of the local units can be fully operational companies in their own right, and the array of the units that comprise the MNC may be a hybrid of any of the other designs described here.

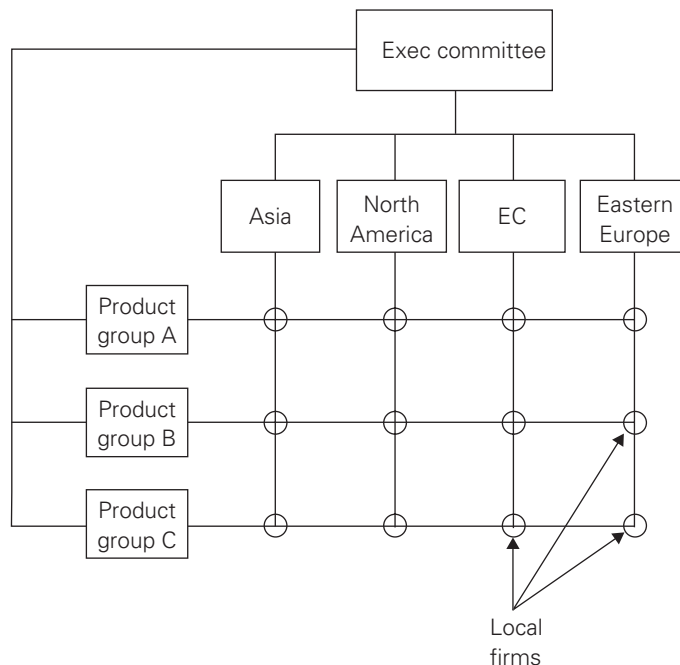


Figure 9.5 The global matrix

Obviously, a major drawback of MNCs and global matrices are their often mind-boggling complexity. Even with electronic communication and rapid transportation between most destinations, the coordination problems these organizations create stretch modernist organization designs to their limit. As complexity increases through demands for attention to more than the two or three dimensions that can be represented in an organization chart, the fragmentation and incoherence about which postmodernists write becomes increasingly apparent.

Here, an image of fragmented organizations as networks of loosely connected interests operating without Grand Narratives of overarching corporate strategy overtakes the idyllic images of planning and control offered by modernist organization theory. The importance of symbolism also becomes hard to deny, as symbols may be the only means of forming webs of social or cultural relationship between network partners. Think of Benetton's controversial 'United Colors of Benetton' international advertising campaign, for example, whose images challenge people to think about responding to human injustice, or accepting interracial or homosexual couples.¹⁴ The meanings and interpretations of these symbols are unlikely to be controllable worldwide, but they nonetheless can become the focus of network identity around which relationships among network partners cohere.

Networks and virtual organizations

Non-hierarchical relationships comprised of human points of contact, called nodes, form a network structure. Organizationally, networks link headquarters with subsidiaries, and units with each other, their stakeholders, and their employees. Networks are typically represented by maps showing a set of linked nodes, such as Figure 3.3 that showed an inter-organizational network.

Virtual organizations are networks whose connections take place primarily or entirely via electronic media, as opposed to face-to-face interaction. For example, the market created on eBay lets buyers and sellers negotiate exchanges without ever making contact except through the Internet. Wikipedia, an online encyclopedia, is another virtual organization, this one comprised of user volunteers who edit one another's entries and socialize new contributors all done online.¹⁵ Of course, some virtual networks, like online dating services, exist to create a means for people to meet non-virtually, so you can also find hybrid blends combining virtual organization with a traditional network.

Networks of organizations are most likely to form when organizations face rapid technological change, shortened product lifecycles, and fragmented, specialized markets. In networks, needed assets are distributed among several partners such that it is not a single organization within the network that produces products or services, but rather the network as a whole that is the producer or provider. Most, if not all, vertical communication and control relationships are replaced with lateral relationships and partnerships among several organizations in these networks.

Benetton is an example of a network organization. It is comprised of hundreds of small clothing manufacturers and thousands of franchised sales outlets arrayed around a central distribution channel with a common information and control system. Some of the manufacturers within the Benetton network were spun off the original Benetton operation, while others joined the network because their small size would otherwise have left them out of the

international fashion market in which Benetton firms participate. In addition to managing distribution channels (which are also part of the network) Benetton provides its suppliers with technical manufacturing expertise, much of the necessary equipment, and sometimes capital, and handles marketing efforts for the network.

Within a network structure, partners are linked by supplier–customer relationships that resemble a free market system. That is, goods are bought and sold between network partners just as they would be on the open market. In this way competitive pressures on the supplying partners keep downward pressure on prices. Also, the use of market mechanisms to coordinate activities eliminates much of the need for the vertical hierarchy of traditional organizations and this reduces administrative overhead. These characteristics of network organizations reduce their overall costs and increase efficiency and profitability, which help keep the network competitive. The German TV industry provides an example of a network of temporary project-based organizations.¹⁶ When a broadcaster commissions a TV program producers bring together mostly independent writers, directors, camera people, actors, and other media specialists to work on the project. The collaboration ends when the program is completed.

There are some advantages associated with networks: they encourage information sharing, liberate decision making, and inspire innovation. Also, networks are capable of extremely rapid information exchange because they can process information in multiple directions at the same time. Rapid information exchange enables network partners to exploit opportunities before non-networked competitors even become aware that they exist. Relative independence of decision making allows experimentation and learning, and new learning can be rapidly diffused throughout the network. By enhancing the spread of information and bringing together different logics and novel combinations of information, networks provide the conditions for innovation.

On the other hand, a simple economic relationship between network partners can lead to exploitation by partners who gain control of critical information or resources, such as by key suppliers who are able to create and take advantage of dependencies in the larger system (i.e., charging higher prices once demand for their products is generated by the rest of the network). In these situations, one segment of the network holds the rest hostage for higher profits. This is where networks developed upon more than economic relationships have an advantage. For instance, relationships built on friendship, reputation, or shared ideology may prove more effective due to their greater ability to generate trust and cooperation.

Many of the advantages networks enjoy depend upon members working voluntarily together to innovate, solve problems of mutual concern, and coordinate their activities. This demands a level of organizational teamwork that cannot be taken for granted. Networks create webs of information exchange and mutual obligation that can provide a foundation for deeper relationships, but these relationships are not automatic—they must be managed. Network partners may undermine network effectiveness by pursuing self-interest and middle managers and technical specialists within network organizations may not always be enthusiastic about cooperation. Probably the greatest challenge in managing network relationships is developing and maintaining an organizational identity and sense of purpose in the face of geographic and/or cultural diversity and loosely coupled interests and activities.

New forms of organizing

Some pundits predict that organizations will soon outsource nearly all their activity, leaving behind only a shell of their former corporate selves. Many manufacturing activities in the industrial organizations of the West have already been outsourced and executives are left to oversee managers supervising consultants who hire workers on a temporary basis to do the remaining work. The consultants, in turn, work for global service organizations supported by multiple intersecting networks of scientists, engineers, and other knowledge workers operating via proprietary intranet servers. Elsewhere, of course, the outsourced activity may be done by organizations designed in traditional ways (e.g., simple, functional, M-form), but some will adopt new designs.

Some say that business models are morphing through crowdsourcing, hacking, and other emergent processes into platforms for organizing the work of anonymous freelancers who are contracted and paid on a project-by-project basis, much as craft workers were in pre-industrial economies. Freelancers can find projects, submit work, and receive pay, all over computer monitored electronic devices connected to the Internet permitting networks to operate 24/7 from locations spread all over the Earth and one day, maybe, beyond. As these changes take hold, some believe, traditional old economy organizations will recede into the background or may disappear altogether.

But even as some organizations disappear, others emerge. For example, new kinds of unions offer freelancers group rates on health insurance and other benefits, and organize quasi office parties to fill the social needs created by the isolation, alienation, and fragmentation of working conditions typical in the new economy. At the same time various actors within the institutional environment of global business are organizing around a perceived need to control the biggest corporations, mainly by forming NGOs or joining global social movements to save the planet, eradicate poverty or fight for human rights. Some say that the mix and match pastiche of the conditions of work life in the new economy coupled with reorganization of the institutional field will reshape organizations rather than leading to their demise.

What comes next is a matter of speculation, but recent changes in the global environment due to growing concerns over sustainability and human rights that have led to political activism operating on a scale never before seen, appear to be creating the conditions for the emergence of organizational forms that combine the properties of virtual and network organizations with social movements. Consider that today, many employees have interests in society as well as in the organizations for which they work. Individuals who express their societal interests while at work push organizations into the role of servant to society or to humankind more generally, as opposed to being merely vehicles for expressing the economic and technological interests of the most powerful. This is what some people hope will be the consequence of the shift from industrial (old economy) to post-industrial (new economy) societies.

Figure 9.6 shows four diagrams representing the shifting roles organizations and organizing play as we move from industrial (old economy) to post-industrial (new economy) societies. The triangle in panel 1 of the figure represents an organization-as-entity doing the work of producing goods and services in the old economy. The many small grey blobs are various stakeholders, some of whom have direct access to the organization indicated by their position inside the triangle, think about key customers and major shareholders, or important

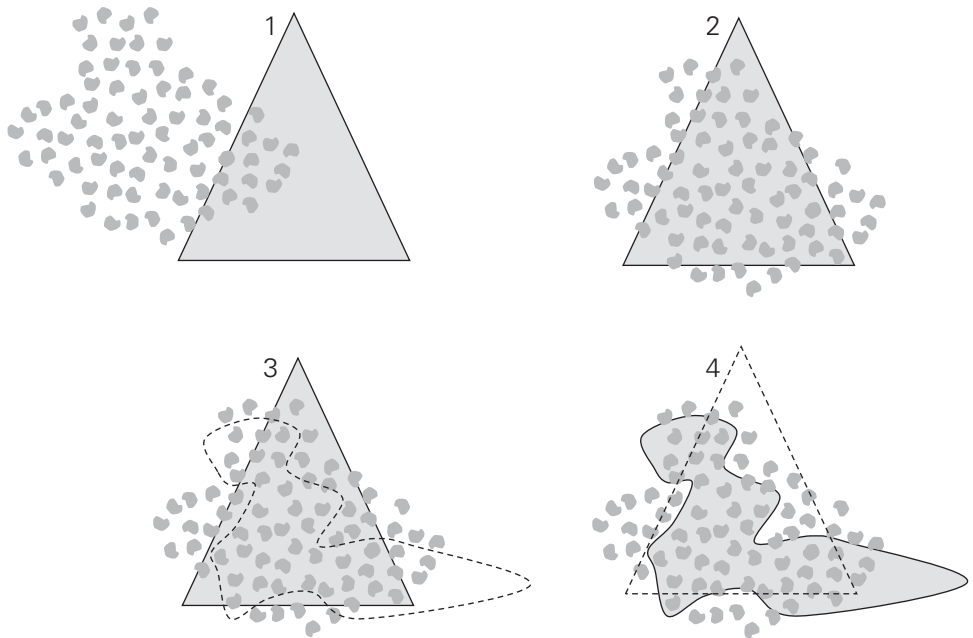


Figure 9.6 How organizations form and reform around the activities and interests of people who contribute raw material, energy, action, influence, culture, and capital

Panel 1 shows a traditional organization, while the situation in panel 2 emerges as increasing numbers of stakeholders gain access to the organization and its resources. In panel 3 parts of the organization have reorganized around interests shared by employees and other stakeholders to produce temporary structures that ooze and change as interests and people come and go. In panel 4 these once temporary alignments and relationships solidify into one or more new but still organic organizations as the boundary around the former traditional organization recedes into the background or melts away altogether.

Source: Hatch, M.J. (2011) *Organizations: A Very Short Introduction*. Oxford: Oxford University Press.

suppliers. Other stakeholders take positions outside the boundaries of the triangle in that they are more marginal from the organization's point of view, including those activists and special interest groups that may pressure the organization to change its behavior or ethics regarding environmental and social responsibility.

In panel 2, more and more stakeholder interests have been taken into account inside the organization by its different functions—marketing to serve customers, HR to serve employees, finance to serve the capital markets, PR to handle media and community relations, communication to manage public opinion expressed in corporate image or reputation, and so on. As time passes the relationships forged between insiders and outsiders give outsiders access to the organization bringing them, or at least their engaged interests, within its walls. This can be seen today in organizations like LEGO Group that create new products and train new employees with the help of LEGO fans who volunteer to work as product designers and ambassadors inside the LEGO organization.

When you compare panels 1 and 2 you see the invasion of the organization by many more blobs. For a time the purposes of the panel 2 organization may become befuddled by the influence of so many competing interests attracted by the appeal of engagement, an effect

compounded by the organization's pursuit of legitimacy in the eyes of all its stakeholders. If corporate interests prevail, the organization will return to the state depicted in panel 1; it will have resisted the pressures of adaptation to the new economy. Alternatively, the scenario shown in panel 3 could unfold as the organization discovers new ways to respond to its stakeholders, some designed by them.

Organizations described by panel 3 will find it difficult to differentiate employees from other actors as stakeholder engagement provides access to the internal workings and resources of the organization placing some organizational members outside the organization's walls and bringing increasing numbers of external stakeholders within them. As this happens, employees and other stakeholders join forces and build relationships that allow them to act on extra-organizational interests even as they serve those of the organization. In some cases, for example, corporate social responsibility (CSR) becomes a key concern leading to a new business model less focused on doing well (e.g., making a profit) and more on doing good (i.e., serving society). New boundaries emerge within and around the triangle in panel 3 as stakeholders align with employees around common interests and together engage in activities realizing them using corporate resources and capabilities.

IBM's Corporate Service Corp provides an example of panel 3 organizing. IBM Service Corp volunteers serve the corporate vision of creating a Smarter Planet by living in an impoverished community they pledge to serve for six to twelve months. There they take on projects co-designed with local residents to apply IBM competencies to solving the community's most urgent problems. A critic might see this as an attempt by IBM to grow its market, but from the point of view of community members, it is an opportunity to take advantage of the resources and capabilities of this massive corporation. Panel 3 shows how, as insiders and outsiders join forces, the boundaries of an organization like IBM start to shift, reshaping its identity and culture as well as its social and physical structures.

If alliances between society and business, such as those encouraged by the IBM Corporate Service Corp, were to become institutionalized then one more shift would occur. In panel 4 the solidified yet organic shape of the boundary around the aligned stakeholder interests depicts a different organization growing within and later potentially emerging from the first. The now dotted line around the triangle indicates the possible disappearance of the older form, perhaps taking bureaucracy with it.

If organizing continues to produce new emergent properties, institutionalization will become less and less likely. The new boundaries shown in panel 4 will not hold and organizing as depicted by the organic shape in the center of panel 3, along with the disappearing boundary around formal organization in panel 4, will prevail. In this view, temporary organizations emerge from and melt back into networks whose boundaries are never clear for long. Even if a few old economy organizations persist, they will most likely take the form of virtual shells of their former selves, temporarily populated by constantly changing hordes of new economy freelancers. This does not mean, however, that the cultural dynamics of people working together will cease, only that the temporary nature of organizing will replace our static appreciations (e.g., structure) with more liquid forms. And of course, there is no reason to believe that these organic, temporary, interest-driven forms of organizing cannot co-exist with old school corporations in symbiotic or parasitic relationships that produce offsetting urges to exploit one another.

Whether we get a proliferation of dynamic organizations, like the organic shapes in the center of panels 3 and 4 in Figure 9.6, or whether we fall back into panel 1 or 2 style organizations, remains to be seen. But with ideas like lines of flight and hactivism, to be considered next, you can begin to see where innovative opportunity lies and what its emancipating benefits and costs might be relative to traditional ways of organizing.

Designerly approaches to organization design

Recently the fields of design and design management have begun describing ways in which designers approach organizational design. Often the visual skills designers possess become focal in commentary and research about design work, but more important may be the capacity for empathy and aesthetic imagination, and the performative and interactive skills designers cultivate by working intensely with clients.

In general, designerly approaches replace classical organization development (OD) practices with activities informed by the studio pedagogy of design fields such as architecture, fashion, and service design.¹⁷ Much of this type of organizational work is just getting underway, but to offer you one tantalizing example: consider how Swedish fashion theorist and designer Otto Von Busch took new economy freedoms with the old economy organizational forms that dominate the fashion industry, and what his designerly way of working implies for organizational innovation and change.

Von Busch bases his design practices, in part, on the work of Gilles Deleuze and Pierre-Félix Guattari. These French philosophers developed the postmodern concept of **lines of flight** to describe escape routes awaiting us within the hierarchy and bureaucracy of the state (see Figure 9.7). These theorists explicitly denied any connection between their concept and the image it evokes for many of the random trajectories of bird flight that occur when a flock is surprised by a hunter firing a shot into their midst. I nonetheless find the mental image of bird flight helpful because, just as the birds will flock together again reunifying their scattered trajectories, so Deleuze and Guattari argued coherence will be (re)established for diverse but culturally connected humans, only to be disturbed once more by the next unexpected event or shock.

But Deleuze and Guattari were not talking about random responses to exogenous shocks; instead they were interested in describing the opportunities ever present within repressive social structures. The key to appreciating their concept lies in the power of lines of flight to **deteritorialize** existing structures by invading their spaces and breaking up stratified systems, such as those of hierarchy, privilege, or habit. In these ways lines of flight escape and thereby undermine the repression of compartmentalized thinking, like that imposed by a discipline or an organization. Such maneuvers release hidden potential and concentrate capabilities in ways that Deleuze and Guattari claimed traverse old patterns of behavior and thought, and connect multiplicities with one another. They compare lines of flight to music that ruptures expected patterns and proliferates in ways comparable to how weeds propagate rhizomatically, that is to say in a dynamic and unpredictable fashion.¹⁸

Von Busch compared Deleuze and Guattari's description of lines of flight to the mindset required for **hacking**, an idea borrowed from the computer field that he and others apply to fashion. Distinguishing 'hacking' from 'cracking,' he noted that while 'cracking' involves opening a computer program in order to harm or destroy it, 'hacking' builds on existing code in

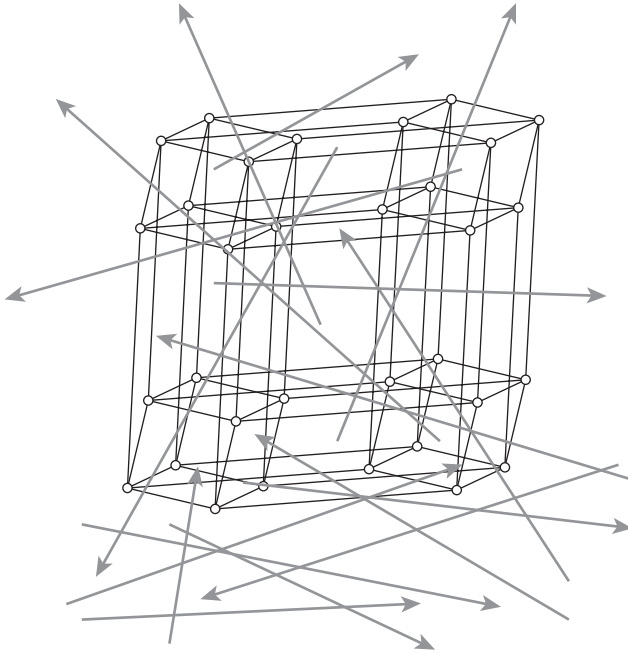


Figure 9.7 Lines of flight

The grid in the background of this figure represents Deleuze and Guattari's notion of the state apparatus from which the lines of flight depicted by the arrows represent escape routes.

Adapted from 'A 5-cube' by Joseph Malkevitch. Reproduced with kind permission.

order to get it to do new things. Using the terminology provided by Deleuze and Guattari, Von Busch explained:

The hack itself is an escape, but it is paradoxically also a re-structuring and a reterritorialization, as it builds new forms of relations, relations that are yet open, as in open source code and open protocols. The reterritorialization process is unavoidable so it is crucial to be attentive to how to best affect this process and keep the line of flight intensive, open and accessible.¹⁹

A self-described hacktivist, Von Busch promotes and studies 'fashion-able' activities that have the intention of playing with fashion in order to change how the industry operates as well as helping people transform their wardrobes into creative things of beauty. One event he helped to organize and facilitated taught participants to hack into the fashion of particular designers by cracking the code of a brand such as Gucci's and then using the hack to produce 'Gucci-fied' fashions that are not copies so much as they are variants of the brand's core attributes and values.

Providing a simple example of how hacking fashion works, Von Busch described Stephanie Syjuco's Counterfeit Crochet Project.²⁰ This project involved offering instructions for counterfeiting a designer handbag in crochet by first using the enlarge function on a photocopier to make a low resolution image from a photograph of an original bag, and subsequently using the pixelated image as a crochet pattern to produce a playful variant that is not a copy

so much as it is a new way of rendering the hacked brand idea (as well as being an ironic comment on the practice of counterfeiting).

In an industrial application of **hacktivism**, Von Busch engaged Dale Sko, a small rural shoe manufacturer in Norway suffering from competitive woes that led the company to gradually reduce its workforce from somewhere around a couple of hundred to ten. It was at this low point in the company's history that Von Busch arrived to engage employees in a workshop involving six prominent Norwegian fashion designers, an established fashion photographer, a stylist, and a shoemaker/teacher. As Von Busch related the story:

The hope was to create some new approaches to post-industrial production and try to probe 'nonlinear' means of action and co-design, open for spontaneity and crafty interventions during the normally strictly linear production process . . . All the experimentation during the workshop was to be firmly based on collaboration on the factory floor. An ability to merge these roles and create a wider range of possibilities for interaction between the participants would change the flow within the factory, while at the same time create unique designs, using the full skill of all those involved.²¹

The process combined chaos with standard manufacturing technology:

Operational misuse of the factory equipment, using machines at the wrong moment in the process, assembling pieces in wrong order or using wrong sizes of tools for various elements in production proved to be ways that opened new action spaces . . . [even though t]his can only be done in small quantities [and] still remain within mass-production or economy of scale, and this mix of craft and mass-production is the scale of manufacture for a small factory such as Dale Sko.

Von Busch next described how the Dale Sko workers reacted during the three-day workshop:

During the first day of the workshop the atmosphere was filled with anticipation and at first the craftsman of the factory seemed slightly skeptical of the working process. Why change? But as the process went on the mood changed. On the first day, all workers went home when the bell rang signaling the end of the working day. But on the last day of the workshop many of the workers stayed after working hours, helping the participants to finish their shoes and chatting.

To explain the role the designers played, he described how one of them worked with the process:

It is perhaps the works of [designer] Siv Støldal that can be seen as a quintessential modus operandi of this type of hacking. She used the already existing models from Dale Sko, recombined materials and parts into new forms. She changed leather materials, shifted soles between models, and introduced random punched decorations into the designs. But at the same time she preserved the general design of every sub-part intact. With these schemes for individualizing the shoes, every pair became unique. Still preserving the integrity of the traditional models from Dale Sko this model became a point of departure and an instrument for her future collaborations with Dale Sko.

The project attracted media attention that brought important benefits for Dale Sko:

During the workshop, the project also received an amount of local coverage in the press, radio and TV. Bringing in the eyes of media as well as putting the spotlight on the collaborative working process created a renewed pride in the craft element in the factory. Dale Sko came to be recognized and respected not only for its century old merits but also for its concern to go further, innovate and continue to be a progressive local player with global fashion connections. The media attention became a form of recognition for this hard work and boosted the confidence of the factory . . . The factory, in the past the main employer and gem of the town, now demonstrate[d] an imaginative and innovative spirit with high future ambitions and is now once again the source of local pride.

Other results were equally impressive:

After the finish of the workshop the traces of the project are still visible today. Støldal has continued her collaboration with Dale Sko and is currently making her fourth collection with them, still using the existing models as a practical point of departure. The new shoes have been shown at the fashion weeks in London, Paris and Tokyo and are for sale in stores in London and other cities. The factory also developed a prototype lab and since the hack has hosted several other designers and interns from fashion schools. In addition, the board of directors of the factory has been changed and one designer as well as the shoemaker/teacher was taken onto the board. In 2008 the project also won a special prize at the European Fashion Awards.

Von Busch claimed that his hack of Dale Sko deliberately mixed modern technology with postmodern ways of organizing. It also shows a designer taking theory into practice by intentionally using lines of flight as inspiration for the design of an intervention meant to change an organization. His intervention demonstrated how hacking can generate creative solutions to problems left behind by modernist industrial organizing practices thereby producing innovation within those very technologies. And, his method of helping an organization escape the constraints of old ways of working, demonstrated a time honored design principle—**frame breaking**. But most important to the discussion of organizational design, Von Busch's hacking practices present a version of organizing that resembles in certain respects the images depicted in panels 3 and 4 of Figure 9.6, and puts some flesh on these new bones.

Organizational change and change management

Two questions practitioners always seem to ask regarding **organizational change** are: what makes organizations change and how can change be managed? Change is an inherent characteristic of most organizations: environments change, organizations grow, innovation produces new technologies, conflicts arise, and so on. For instance, as we have just seen, changes wrought by globalization have woven economies into intricate networks of dependence spinning around capital flows that, in turn, are altering organizational structures all over the world. As a consequence, one of the biggest changes many people perceive today is that the rate of change itself appears to be on the rise. In response, many managers no longer bother about stabilizing their organizations, instead they spend their time trying to change them, or at least keep up with their many changes.

Chronologically the pendulum began swinging from stability to change around the end of WWII when systems theory introduced the idea that organizations depend on their environments. It was then that managers began regarding adaptation as key to organizational survival, and strategy as a mechanism to guide them through necessary change. Along with recognizing the importance of finding and maintaining an organization's strategic 'fit' within its environment, came the need to implement strategy through planned organizational change. Lewin's model of the stages of planned change offered them an answer and provided one of the first normative theories of organizational change.

Lewin's normative model of planned organizational change

In the 1950s, Lewin developed an equilibrium theory based on his belief that social institutions, including organizations, result from a balance of forces, some driving change and the others restraining it. According to Lewin, stability is not only maintained by the forces opposing change, it represents a stalemate between forces for and against change (see Figure 9.8). For Lewin, change was transient instability interrupting an otherwise stable equilibrium and his theory prescribed the inducement of managed instability to bring about planned change. According to his model, planned change involves three separate practical activities: unfreezing, movement, and refreezing.

Unfreezing unbalances the equilibrium sustaining organizational stability, and this is accomplished, according to Lewin, by destabilizing present behavioral patterns sufficiently to overcome resistance to change. For example, locating and then taking advantage of existing stress or dissatisfaction brings about unfreezing by increasing the forces for change

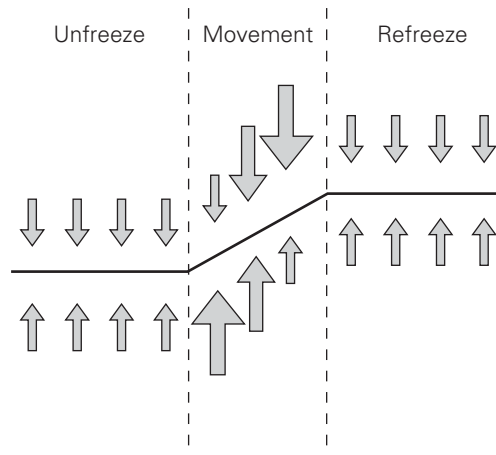


Figure 9.8 Lewin's model of planned organizational change

Change results from disturbances in the force field sustaining organizational stability. Whenever forces favoring change are greater than forces resisting it, the organization will move from one state to another. In planned change, movement can be induced via unfreezing the old equilibrium, moving to a new state, and then refreezing by re-establishing equilibrium at the new position.

Source: Based on Lewin (1951, 1958).

within a system. Unfreezing can also be brought about by lowering resistance, for example, by educating organizational members about the need for change.

Once unfreezing has taken place, **movement** involves influencing the direction of change in the now destabilized system. Strategies for influencing the direction of change include training new behavioral patterns, altering reporting relationships and reward systems, and introducing different styles of management (e.g., replacing an authoritarian with a participative management style).

Movement continues until a new balance between driving and restraining forces is achieved by refreezing. **Refreezing** occurs when new behavioral patterns are institutionalized. An example of a refreezing strategy would be formalizing new recruiting policies to assure that new hires share the organizational culture and work well within the new structure and reward systems as well as with the new managerial style.

A large proportion of the case studies and theoretical discussions of organizational change that comprise the field of OD are formulated in the tradition that Lewin's model inspired. OD provides well-documented illustrations of the unfreezing/movement/refreezing processes. To give just one example, American organization development specialists Leonard Goodstein and Warner Burke applied Lewin's model to analyze changes undertaken at British Airways (BA) in the early 1980s.²²

Goodstein and Burke claimed that changes at BA were made when two environmental influences combined with poor corporate performance. First, Margaret Thatcher, who was then Prime Minister of Britain, opposed public ownership of business. Second, governments around the world deregulated international air traffic with consequent intense airfare competition among airlines. BA's lack of profitability in the prior years was complicated by the challenges of its impending privatization and the fare wars. For instance, in 1982 the airline lost nearly US\$900 million and required large government subsidies that encouraged the Thatcher government to privatize BA. As the noose tightened, BA recognized the need for radical change, which it then undertook from 1982 to 1987. Goodstein and Burke reported that during this period, BA went from government ownership and a bureaucratic command and control culture that was facing huge losses and a decreasing market share, to a privately owned company having a service-oriented and market-driven culture with profits of over US\$400 million and a rising market share.

Goodstein and Burke identified many different elements in BA's change effort. First, the company reduced its workforce from 59,000 to 37,000 employees. Second, it welcomed an industrialist as chairman of its board and named a new CEO with a marketing background. These leaders differed considerably from their predecessors, many of whom had been retired Royal Air Force officers. Goodstein and Burke argued that the effect of these new appointments was to signal an imminent change in BA's values. Third, training programs were initiated to help 'line workers and managers understand the service nature of the airline industry.' The combination of workforce reductions, a new top management, and extensive employee training accomplished unfreezing.

Movement was guided through management training programs, changes in structure and reward systems, a new, more user-friendly management information system, and team building. Management training programs helped BA adopt a participative management style that emphasized employee commitment and involvement. Two elements of the unfreezing stage—the cross-functional, cross-level teams that planned the change effort, and reductions

in middle management—signaled a participative management style that was symbolically reinforced during the movement process by the introduction of a new user-friendly computer system, profit sharing, and a bottom-up budgeting process. Also during movement, the CEO became a symbol of participation by engaging in question and answer sessions during training programs. Goodstein and Burke claimed that it was in this phase that BA changed its identity from a transportation to a service company. The core idea of emotional labor was a key part of the new service identity and involved developing emotional support systems that allowed employees to offset the burnout that service providers often experience.

BA accomplished refreezing via orientation programs for new employees at all levels, a policy of promoting people who symbolized the new corporate values, and education programs for executives and managers called Top Flight Academies. In addition, performance appraisal and compensation systems were developed around the principle of rewarding customer service and employee development. Meanwhile, new uniforms, refurbished aircraft, and a new logo with the motto 'We fly to serve,' communicated BA's new identity. Continued use of teamwork and data feedback to management helped BA maintain its new participative management style. Of course, as Goodstein and Burke pointed out, moving from a known but undesirable state, to a desired but unknown future state, involved a transition period of disorganization and lowered effectiveness during which, these researchers claimed, courageous and committed leadership offset anger, uncertainty, and fear.²³

Although Lewin's model specifies a path for introducing desired change into a stable society or organization, it does not tell you much about the ways in which a system responds to the introduction of programmatic change. An early theory proposed by Max Weber provided insight into this process and thus complements Lewin's theory.

Weber's routinization of charisma and the leadership of change

Weber theorized the role that **charismatic leadership** plays in societal change, claiming that new ideas introduced by a charismatic leader are altered as part of their acceptance into everyday life. His theory of the **routinization of charisma** explains why and how revolutionary change in worldviews and their consequent influence on social action occur.²⁴ Weber defined charisma as:

a certain quality of an individual personality by virtue of which he is considered extraordinary and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities. These as such are not accessible to the ordinary person, but are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a 'leader.'²⁵

The definition of charisma at first blush seems to limit the applicability of Weber's theory. Not many organizational leaders qualify as charismatic, although with the advent of the celebrity CEO there is reason to believe that at least some have attained this level of influence. Think Steve Jobs of Apple or Virgin's Richard Branson. Furthermore, managers aspire to charismatic influence when they attempt to change their organization's culture. The link between the routinization of charisma and organizational change becomes clearer when Weber differentiates charisma from the forces of reason:

[The] revolutionary force of 'reason' works from *without*: by altering the situations of life and hence its problems, finally in this way changing men's attitudes toward them; or it intellectualizes the individual. Charisma, on the other hand, *may* effect a subjective or *internal* reorientation born out of suffering, conflicts, or enthusiasm. It may then result in a radical alteration of the central attitudes and directions of action with a completely new orientation of all attitudes toward the different problems of the 'world.'²⁶

What happens after the introduction of the revolutionary influence of a charismatic leader into a society is of particular interest for understanding reactions to planned organizational change. Charisma, or by extension the subjective influence of leadership in organizations, is not direct in its influence because routinization processes adapt charismatic ideas to the needs and interests of those at whom change efforts are directed. Although charismatic leadership may be highly influential, its influence will be routinized during the change process by those who must implement strategic vision through systematization and accommodation, two subprocesses of routinization described by Weber.

Here is how Weber explained routinization. Following the introduction of new ideas by a charismatic leader, disciples champion the charismatic individual's ideas to other members of society. As the actions of the champions spread the leader's ideas throughout society, some of their revolutionary appeal dissipates as the ideas are linked to various mundane aspects of everyday life.²⁷ Weber called this subprocess **systematization**, because as the ideas spread they are reworked to fit into the existing social system and culture. **Accommodation**, the second part of the routinization process, involves power and politics. Those affected by the new ideas negotiate over how to reinterpret their beliefs and values to accommodate the new ideas and how to implement the new obligations required of them. The politics of these negotiations further shape and alter the charismatic influence as they align the new ideas with the familiar, causing their implementation to conform, more or less, to existing power relations and cultural norms, which makes the new ideas into routine aspects of daily life.

According to Weber, dissipation of the original revolutionary appeal that systematizes charismatic ideas, plus their accommodation within existing power structures and culture, routinizes charisma, thereby embedding change in society even as it renders the changes undertaken mundane. Routinization occurs because the demands of everyday life impinge on followers who not only wish to participate in the society envisioned by the charismatic leader, but also seek to maintain the stability of their social position and their material well-being. Thus Weber claimed charismatic authority as the primary source of change in society, but allowed that its routinization gives members considerable influence within the change process. In his view, the subjects of charismatic authority alter the ideas leaders introduce to suit their everyday life and its political, religious, intellectual, and economic interests.

Although Weber acknowledged that leaders would probably not regard their charisma as dependent on the attitudes of the masses toward them, he claimed that their authority nevertheless rests on how their followers and subordinates regard them. He stated that: 'In general it should be kept clearly in mind that the basis of every authority, and correspondingly of every kind of willingness to obey, is a *belief*, a belief by virtue of which persons exercising authority are lent prestige.'²⁸ In other words, the beliefs of organizational members determine not only how a leader will be regarded, but who will be regarded as a leader.

With ideas like authority-as-belief, Weber acknowledged the social construction of reality and seems to invite deconstruction for the purpose of change. The routinization of charisma also invites comparison with institutionalization processes. Weber's admission of change through charismatic influence, albeit processed through systematization and accommodation, helps to explain institutional change, an idea that has recently arisen as a primary criticism of institutional theory.

Institutional change and entrepreneurship: What about culture?

Institutional theory has succeeded in explaining how the expectations lodged in institutional environments constrain organizational behavior through coercive, normative, and mimetic pressures and thus stabilize recognizably legitimate structures. But the explanation that actors unreflexively adopt taken-for-granted practices that sustain their legitimacy leaves little room to explain how or why institutions change. Yet we know that some institutions *do* change, that new institutions emerge from time to time, and some even disappear. The central problem with which critics confront institutional theorists is: how can actors innovate when the institutional environment determines their actions and beliefs?

Until recently institutional theorists attributed institutional change to exogenous shocks (e.g., crisis or scandal, disruptive technological innovation, or regulatory change) over which actors had limited if any control. Thus agency within an institutional field was not considered part of the explanation for change. Royston Greenwood, Roy Suddaby, and C. Robert Hinings theorized that such exogenous shocks destabilize the socially constructed consensus of an institutional field by causing actors to question their taken-for-granted assumptions thereby allowing the introduction of new ways of thinking and acting.²⁹ An example would be the economic crisis faced by the countries of Western Europe in the 1980s that led to the proposal for a European Union.³⁰

When structuration theory came along, its positioning of agency appealed to institutional theorists, not only because it offered an answer to the puzzle of change, but because agency provided a means of addressing the normative interests of practicing managers. American institutional theorist Paul DiMaggio was among the first to offer **institutional entrepreneurship** as an endogenous explanation for institutional change rooted in agency.³¹ He pointed out that institutional entrepreneurship refers to a process of institutional change enacted by individuals or collectives such as organizations, coalitions, and social movements that partake in the destabilization, creation, diffusion, and/or stabilization of institutions.

How does institutional entrepreneurship explain change? One set of explanations examines differences between emerging and mature institutional fields finding that in emerging fields entrepreneurs do not face existing institutions, they simply build new ones. Under these conditions, institutional theorists argue, actors are motivated to stabilize relationships, meanings, ways of thinking, and practices to reduce uncertainty and develop legitimacy. In mature fields, on the other hand, peripheral actors may see themselves as disadvantaged by existing institutional arrangements and so work to destabilize and change them, while powerful actors may seek to alter current arrangements either to avoid problems or take advantage of new opportunities. For example, the largest accounting firms pioneered new multi-disciplinary ways of working such as adding management consulting activities that produced opportunities for cross-selling additional services to their clients. Subsequently this

innovative act of institutional entrepreneurship led to an exogenous institutional shock to the institutional field in the form of the ENRON scandal of 2001, quickly followed by the downfall of Arthur Anderson, one of the lead innovating institutional entrepreneurs.³²

Other conditions that encourage entrepreneurship and bring institutional change include the activation of multiple institutional logics that produce the possibility of choice or incompatible institutional pressures that destabilize an institutional order and incite entrepreneurial action.³³ Novel ideas transposed from one institutional environment to another and strategic action can both account for change in highly institutionalized fields. As Canadian institutional theorist Christine Oliver argued, uncertainty is lower in these cases and so actors feel confident enough to behave strategically, which can lead to innovation and change.³⁴

Finally, intentionality is becoming an issue of interest to some institutional theorists. Does it count as institutional entrepreneurship if change is unintended? What about an accumulation of distributed efforts that produces institutional change? Social movements illustrate these issues well because independent efforts that coalesce to become a movement can accommodate multiple intentions and conflicting interests. Attributing entrepreneurial effort can be difficult even where agency is clearly involved.³⁵ Much remains to be studied, not least the role culture might play in helping to explain both what stabilizes and what changes institutions.

Raising the issue of culture brings us to one of the currently hot topics in both institutional and culture theory: do the processes of cultural dynamics do a better job of explaining institutional change than do concepts like institutional entrepreneurship, which seem to some an oxymoron? While this area of study is new to organization theory, stay tuned to further developments.³⁶ Resolving the cross-level phenomena implicated in bringing these two areas of theory together could carry organization theory into useful new territory that complements the collapsing of dualisms called for by postmodernists and some advocates of the pragmatic perspective.

Practice theory and process theory

Consideration of change, such as that produced by hacktivism or tempered by the routinization of charisma, pushes organization theorists toward dynamic thinking. In organization theory the idea of organizing as dynamic change emerged only after organizations started to be seen as ongoing accomplishments of enactment, sensemaking, and social construction processes. Weick famously used these ideas to suggest replacing the static notion of organization as entity with the more dynamic concept of organizing.³⁷ Both practice and process theories are attempts to apply dynamic explanations, understandings, and appreciations to organizing activities.

Practice theory

A **practice** can be defined as a set of actions informed by knowledge. Once we know how to do something we can make it a routine part of our lives, and if we wish to extend our actionable knowledge to others, we may create rules about practices that establish their continued use in society or an organization. In this sense, practices are associated with

routines and rules, and one branch of practice theory defines practices in these terms, typically drawing for support on the structure (versus the agency) side of structuration theory. For those who frame practice theory in these terms, rules are seen as governing structures that define practices.³⁸

However, practices are not simply the operating procedures that result from following rules, and routines are not fixed and unchangable. Defining practices as lying more strictly within the domain of agency leads other practice theorists to frame their studies with actor network theory, and thus to focus on objectively observable or reportable aspects of practice such as the actors, activities, procedures, texts, and discourse that constitute the actor network.

Martha Feldman and Brian Pentland, for example, showed routines to be flexible in the sense that they are never performed in exactly the same way twice.³⁹ There is an element of improvisation in the application of rules to practices that makes the whole system dynamic; any alteration of a practice-in-action feeds back on the interpretation of the rules governing it and thus has an effect on future enactments of the practice. These descriptions support the agency side of structuration theory.

There are others who prefer to define practices as embedding activity in skills, as illustrated by an old joke about a man walking down the street in New York City hoping for directions to his destination. Stopping a passerby he asks: How do I get to Carnegie Hall? The reply: Practice! Defining practice as skill-producing activity, such as practicing the drums or, some would argue, practicing management, focuses on learning. This definition favors aesthetic approaches to practice that build on the theory of performativity. It also appeals to critical theorists who apply Foucault's concept of knowledge/power to the practice of management.

Critical theorists, for example, observe that managers often pay consultants to produce and disseminate knowledge that favors their interests. But the knowledge that managers are most willing to purchase tends to be that which their consultants persuade them has led other managers to success! Management practice, so this theory goes, is influenced by and intertwined with consulting practice revealing other phenomena worthy of study, such as the fads and fashions that circulate within the management consulting community.⁴⁰

Following a different line of thinking, French sociologist Pierre Bourdieu presented his concept of the *habitus*, which links practices to culture. Bourdieu drew on Marcel Mauss's definition of *habitus* as that part of culture that is anchored in the body and in the everyday practices of individuals, groups, societies, and nations. It includes learned habits, bodily skills, styles, tastes, and other non-discursive knowledge taken for granted by a specific group. As such the *habitus*, according to Bourdieu, consists of socially acquired dispositions to think and act in certain ways.

By emphasizing embodiment as the locus of cultural understanding, Bourdieu directed attention to the pre-reflexive states of sensory awareness lying beneath rational ideology, and to practical action. According to Bourdieu, actors do not continuously calculate according to explicit rational and economic criteria, they operate according to a tacit practical logic and to bodily dispositions. The logic of practice supports domination by the powerful as it works to reproduce itself thus maintaining the hierarchical status quo. Those who study communities of practice similarly argue for a culturally contextualized appreciation of the phenomenon of practice. They tend to focus attention on discourses framing a shared

knowledge base that can be applied through practice to solving practical organizational problems.

All of these strands of practice theory present different lines of flight within traditional organization theory, yet they are, each in their own way, strongly rooted in pragmatism's assumption that knowledge is a practical asset. Defining anything as practical, including practices, presumes applicability to the necessities of living, and this gives practice a pragmatic ontological status. For example, if knowing how to change a tire enables you to change one, such knowledge has pragmatic value that gives it the stature of truth. And notice that, just because Newtonian physics was replaced by Einstein's theory of relativity and other contributions to theoretical physics, Newton's theory remains 'true' insofar as it continues to provide practical value in many situations. In its reliance on pragmatism, practice theory shares its foundation with another up and coming area of study in organization theory—process theory.

Process theory

Organization theorists Haridimos Tsoukas, from Greece, and Robert Chia, of the UK, suggest creating a theory of organization that assumes change, rather than stability, as its point of departure. They argue that, since organizing is a continually evolving process, organizations are in a perpetual state of becoming. This reformulation focuses attention on emergence, flux, change, and movement as opposed to the entities, structures, and end states traditionally promoted by the modern perspective. Tsoukas and Chia put it this way:

we need to stop giving ontological priority to organization, thereby making change an exceptional effect, produced only under specific circumstances by certain people (change agents). We should rather start from the premise that change is pervasive and indivisible; that, to borrow [the pragmatist William] James's (1909/ 1996:253) apt phrase, 'the essence of life is its continuously changing character', and *then* see what this premise entails for our understanding of organizations.⁴¹

They further explain that: 'Change must not be thought of as a property of organization. Rather, organization must be understood as an emergent property of change. Change is ontologically prior to organization—it is the condition of possibility for organization.' Tsoukas and Chia continue:

Drawing on process-oriented philosophers and ethnomethodologists we argue that change is the reweaving of actors' webs of beliefs and habits of action as a result of new experiences obtained through interactions. Insofar as this is an ongoing process, that is, to the extent actors try to make sense of and act coherently in the world, change is inherent in human action. Organization is an attempt to order the intrinsic flux of human action, to channel it towards certain ends, to give it a particular shape, through generalizing and institutionalizing particular meanings and rules. At the same time, organization is a pattern that is constituted, shaped, *emerging* from change.⁴²

Tsoukas and Ann Langley claim that process theory is inspired by 'the worldview that sees processes, rather than substances, as the basic forms of the universe . . . A process orientation prioritizes activity over product, change over persistence, novelty over continuity, and

expression over determination. Becoming, change, flux as well as creativity, disruption, and indeterminism are the main themes of a process worldview.⁴³ Among the examples Langley and Tsoukas provide are social constructivism, discourse and narrative theory, practice theory, performativity, actor network theory, and business history. They claim these as examples of a process orientation because each of them treats organizational phenomena 'not as *faits accomplis* but as (re)created through interacting agents embedded in sociomaterial practices, whose actions are mediated by institutional, linguistic and objectual artifacts.'⁴⁴

American cognitive psychologist Jerome Bruner connected process theory with narrative ways of knowing by contrasting narrative with logico-scientific epistemology. He identified different types of causality with the two epistemologies, describing them as 'palpably different,' with **logico-scientific explanation** delivered by logical propositions such as 'If X, then Y.' By contrast he claimed that **narrative understanding** occurs in the form of a plot, as in 'The king died, and then the queen died.' According to Bruner: 'One leads to a search for universal truth conditions, the other for likely particular connections between two events—mortal grief, suicide, foul play.'⁴⁵ Narrative knowing is interpretive compared to positivist logico-scientific knowing. As Dewey, ever the pragmatist, would caution, we need both to be whole.

Summary

This chapter revisited the tension between theory and practice that animates the field of organization theory. The philosophy of pragmatism was presented as having promise for redressing the growing distance between these poles, one that many modernists blame on the invasion of symbolic and postmodern contributions. As a philosophy pragmatism offers strong theoretical foundations, but at the same time its focus keeps the theory it supports grounded in practical experience, which was here extended into the study of practices.

Two phenomena of longstanding concern to practitioners—organizational design and change—brought the practices of managing and organizing into view with an eye toward seeing how organization theory has informed and been informed by practice throughout its history. Organizational design was examined in terms of the development of different organizational forms and their relationships to the various core concepts presented within organization theory. Organizational change was traced through its evolution from planned change and the routinization of charisma, to contemporary concerns with institutional entrepreneurship. Tracing the historical trajectory of these ideas led to speculation about where current interests in design and change might be headed, and I offered a few thoughts along these lines, including what new organizational forms might be emerging from activism and hactivism, and how interest in institutional entrepreneurship may reinvigorate organizational culture theory.

Practice theory and process theory concluded examination of ways theory and practice are becoming inseparable in organization theory. The new language and concepts provided by these theories was presented in relation to assumptions that realign organization theory. First, that organizing occurs within embodied action and second that focusing on organizing replaces static with dynamic thinking, the implications of which will occupy the attention of organization theorists for years to come.

Key terms

pragmatism	design principle of frame breaking
organization charts	organizational change
organizational design	Lewin's planned change model
<i>simple organization</i>	<i>unfreezing</i>
<i>functional organization</i>	<i>movement</i>
<i>multi-divisional (M-form)</i>	<i>refreezing</i>
<i>organization</i>	charismatic leadership
<i>matrix organization</i>	routinization of charisma
<i>hybrid organization</i>	<i>systematization</i>
<i>strategic alliance</i>	<i>accommodation</i>
<i>joint venture</i>	institutional change
<i>multinational corporation (MNC)</i>	institutional entrepreneurship
<i>global matrix</i>	practice
<i>networks</i>	practice theory
<i>virtual organizations</i>	habitus
lines of flight	process theory
detritorialization and reterritorialization	logico-scientific explanation
hacking and hactivism	narrative understanding

Endnotes

1. Dewey (1929).
2. I rely mainly on Dewey because he is the pragmatist that appeals most to me. You may find the pragmatism of William James or Charles Sanders Peirce more appealing; together with Dewey they are considered the co-founders of pragmatism. But you may also want to look into the neo-pragmatists; at a bare minimum read a little Richard Rorty. All of these are Americans, as pragmatism is largely an American philosophy.
3. Dewey (1938).
4. Dewey (1934).
5. Dewey (1929: 215).
6. Dewey (1934).
7. www.co.honolulu.hi.us/budget/cityorganization/
8. www.grc.nasa.gov/WWW/RT2002/intro/b-divchart.html
9. www.btplc.com/Corporateinformation/Principalactivities/BTstructure.html
10. www.usgs.gov/bio/USGS/orgcharts.html
11. Tosi (1974).
12. Rumelt (1986).
13. www.airbus.com

14. See article about Benetton's 'Unhate' advertisements showing world leaders kissing, one example of the longstanding effort this company makes to address political and social issues with consciousness-raising advertising campaigns; http://www.huffingtonpost.com/2011/11/16/benetton-unhate-campaign-world-leaders-kissing_n_1097333.html (accessed April 4, 2012).
15. www.wikipedia.org
16. Windeler and Sydow (2001).
17. Boland and Collopy (2004); Brown (2008, 2009); Sarasvathy, Dew, and Wiltbank (2008); and the special issue of *Organization Science* (2006) on design.
18. Deleuze and Guatarri (1980/2004: 13).
19. Von Busch (2008: 244).
20. You can read about the Counterfeit Crochet Project and see images of the crocheted items produced for the project by visiting <http://www.counterfeitchrochet.org/> (accessed October 4, 2012).
21. The remaining Von Busch quotes are from (2008: 208–14).
22. Goodstein and Burke (1991).
23. To read about subsequent changes at BA over the last decade, see Hatch and Schultz (2003).
24. Weber (1968/78); see also Schroeder (1992).
25. Weber (1968/78: 241).
26. Weber (1968/78: 243–45, emphasis in the original).
27. Schroeder (1992: 10).
28. Weber (1968/78: 263, emphasis in the original).
29. Greenwood, Suddaby, and Hinings (2002).
30. Fligstein and Mara-Drita (1996).
31. DiMaggio (1988); Eisenstadt (1980) is typically cited as the person who coined the term.
32. Greenwood and Suddaby (2006).
33. Rao (1998); Clemens and Cook (1999); Seo and Creed (2002).
34. Oliver (1992).
35. Rao, Morrill, and Zald (2000).
36. See *Journal of Management Inquiry* (Vol. 21, 2012) for a series of articles examining the ways in which institutional theory and organization culture theory can be interrelated.
37. Weick (1979).
38. Lave and Wenger (1990).
39. Feldman (2000); Feldman and Pentland (2003).
40. Abrahamson (1991, 1996).
41. Tsoukas and Chia (2002: 569).
42. *Ibid.* p.570.
43. Langley and Tsoukas (2010: 2).
44. *Ibid.* p.9.
45. Bruner (1986:11; see also 1990).

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