

### Parsons as an Organization Theorist

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### Abstract and Keywords

Talcott Parsons was America's most influential sociologist in the 1950s and 1960s—bringing Max Weber's work to America, building a multidisciplinary social sciences approach at Harvard, and developing a highly integrated and complex theory of social action. Even before his death in 1979, however, his star had greatly dimmed; today his work is rarely read. And that, this article argues, is unfortunate, because he still has far more to say than anyone before or since on the core concepts of sociology: trust, values, commitment, and other 'normative' aspects of behavior. The article also argues, by using his model to think through the current growth of collaborative systems in business firms, that it still generates many fruitful avenues for organization theory.

Keywords: Talcott Parsons, Max Weber, business firms, collaborative systems, organization theory, social sciences

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## 27.1. Introduction

TALCOTT Parsons was America's most influential sociologist in the 1950s and 1960s—bringing Max Weber's work to America, building a multidisciplinary social sciences approach at Harvard, and developing a highly integrated and complex theory of social action. Even before his death in 1979, however, his star had greatly dimmed; today his work is rarely read. And that, I will argue, is unfortunate, because he still has far more to say than anyone before or since on the core concepts of sociology: trust, values, commitment, and other 'normative' aspects of behavior. I will also argue, by using his model to think through the current growth of collaborative systems in business firms, that it still generates many fruitful avenues for organization theory.

From his college days, Parsons battled the neoclassical economic paradigm that believed it could predict behaviors by assuming a universal orientation of rational self-interest. He argued that there is far more to life than that—that social life includes orientations such as solidarity, value commitments, power, and cultural expression that were far from the

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'code' of individual utility-maximization. The difficulty of social analysis is to understand how these complex and vastly different orientations can come together in lasting relations.

(p. 608)

Parsons was through-and-through a voluntarist: he believed that people have choices. Sociological explanation can therefore not be predictive in the way that we predict the behavior of billiard balls. What sociologists can do is (1) to understand the situation from the point of view of the actors and (2) to understand how those points of view interact with each other in a system. From these understandings, we can analyze constraints on choice, fundamental problems that must be faced, and ways in which the interplay of expectations and perspectives steers the possibilities for action—though without being able to predict any particular action. In this sense, Parsons essentially agrees with Marx's famous view that 'Men make their own history, but they do not make it as they please' (1852).

Parsons sought to understand how social order is possible, but he was not a Hobbesian seeking ways to maintain order at any cost. He was deeply committed to a Kantian ideal of human development (Munch 1981). Yet he also rejected 'mere' individualism, adhering to the fundamental sociological premise that individual choice and development are inconceivable outside of social interaction, that society creates degrees of capability and freedom that no individual could ever approach. His core problem always focused on this classic tension: how to reconcile voluntary action with social coherence. The growing complexity of society and its increasing differentiation were for him not merely a means to increased functional capacity but also a road to human freedom: more complex forms of exchange enable an expansion of diversity without threatening the basis for social relations.

This 'humanist' underpinning for Parsonian theory is less explicit in his later, more technical work, but it is always a major point of orientation. In this respect Parsons traces, if one may be allowed a bit of irony, the same path as Marx, who is often similarly accused—and equally falsely, I believe—of abandoning his early voluntarist ideals in his later economic analyses.

Finally, Parsons was a systematizer. His passion was not the understanding of any particular aspect of society, but rather the grasping of everything within a single coherent theoretical framework. In his long career he wrote about everything from religious symbolism to the organization of cognition, from racial integration in America to the limitations of the Roman Empire, from the cultural ordering of time and space to the social ordering of status. All these subjects he sought to approach with the same parsimonious set of concepts—in their final form, they boiled down to four functional categories and the interactions among them. He sought always to make the case for

begin extract the virtues of theoretical 'holism' in attempting to tie together an immense variety of phenomena.... The essential theoretical background throughout is the theory of the social system, treating the concrete system not as an empirically integrated whole, but as a system the problems of which must be analysed in terms of an integrated conceptual scheme. Only by following this path can the various problems associated with the common categories of 'structure', of 'function,' of 'process,' of 'conflict,' and of 'change' be related to each other. (Parsons 1960b): 13.

(p. 609) I argue that these neglected virtues—the analysis of normative aspects of action, the attempt to reconcile voluntarism and social coherence, the effort to create a systematic and embracing analytic framework—can greatly help in understanding the current development of business organizations, and that Parsons's categories are both precise and fruitful for this domain.

## 27.2. Parsons on Organizations

The whole of Parsons's writings specifically on organizations is not large: two 1956 articles in *Administrative Science Quarterly* and a follow-up chapter (Parsons 1956a, 1956b, and 1958). In analyzing Parsons as an organization theorist, therefore, one needs to consider not only what he actually said about the subject but also what he might have said had he continued to explore the implications of his theoretical model for this field. The first of these perspectives is merely suggestive: though he packed into his three papers on organization a wealth of ideas and proposals, he never followed them up enough to provide a solid target of analysis. The second opens very interesting pathways, and it is worthwhile following up at least a few of them to see where they lead.

I will focus on the later, most developed articulation of Parsons's sociology, the so-called 'general theory of action'. The core of this work, from the early 1950s on, is the claim that any aspect of human action can be analyzed as an open system that needs to fulfill four basic functions. He extended his analysis not only to social systems but also to personalities and cultures; for the sake of manageability, I will focus on social systems, which were his main starting point and which received most of his attention.

The four functions, as is typical of Parsons's work, are derived simultaneously from specific cases and broad theory. On the 'inductive' side, he was inspired by his association with Robert Freed Bales's studies of small group interactions, which had led Bales to a quite down-to-earth, empirically derived set of four behavioral categories (Parsons, Bales, and Shils 1953). On the 'deductive' side, Parsons drew on a set of general philosophical and methodological categories, including the open systems view, cybernetic theory, and Kantian epistemology. Thus, the four functions are an almost breathtaking integration of concrete research with abstract concepts.

The functions divide on two fundamental axes: internal vs. external, and latent vs. summatory. The internal—external divide is based on the notion that actors maintain some form of 'internal life' that is distinct from, and stable in relation to, their environ-

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ment. This is a central feature of open systems approaches and also (p. 610) central to the criticism of utilitarian-economic types of social theory. Maintaining the internal life, the *identity* of the system, requires one set of processes and orientations, and interacting with the environment requires another. Action, in this view, is a constant state of tension between opening to the outside and consolidating the inside, and it requires a continual set of exchanges—including dynamic learning—to keep the two aspects in harmony.

The second dimension, latent vs. consummatory, distinguishes the maintenance of *general* resources from the processes of *committing* them to particular uses. The first resulting pair, on the 'inside' of the social system, constitutes the distinction between universal values, shared by all members of a system, and the specific norms that define particular roles. This pairing is clearly influenced by Kant's distinction between hypothetical imperatives, which depend on the identity of the proposer, and categorical imperatives, which are universal. At the social system level, an example where this difference plays out clearly is in law: the Supreme Court has become the arbiter of the unifying universal principles represented by the Constitution, and the legal system as a whole involves continual two-way interchanges between these general principles and their specification to particular cases. In social theory, this distinction is also reflected in Durkheim's concepts of organic and mechanical solidarities: mechanical solidarity is based on strong shared values, while organic gives increasing room to individual differences while still providing a basis for people to trust each other. Parsons's terms for the two internally oriented subsystems of societies are the 'fiduciary system', for institutions that maintain universal values, and the 'societal community', for institutions that coordinate particular solidarities.

The second pair of latent—consummatory functions, on the external side, distinguishes between 'adaptive' institutions that provide generalized mastery of the environment and 'goal-attainment' institutions that mobilize for specific collective purposes. For the social system the former is the function of the economy, which turns 'raw material' into products generally useful to members of the system; and the latter is the polity, which defines particular collective goals and mobilizes actors when necessary.

The 'four-function paradigm' (adaptation and goal attainment on the external side, integration and pattern maintenance on the internal) is shown in Figure 27.1.

Since these functions are necessary to all action systems, they apply at any level. Within the economy, for example, there are also four sets of functional institutions. Organizations as institutional forms specialize in goal attainment: thus the goal-attainment subsystem of the economy is performed by economically focused organizations, in particular the business firm; the goal-attainment function of the value sphere (L) is performed by value-focused organizations such as churches and schools; and so on. Each of these organizations is in turn itself a system with four functions; we will shortly analyze the business firm as such a system.

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	Consummatory	Latent
Internal	I Integration <i>The societal community</i>	L 'Latency'—pattern maintenance <i>The fiduciary system</i>
External	G Goal attainment <i>The polity</i>	A Adaptation <i>The economy</i>

Fig. 27.1. The four functions and social-system institutions

An underlying empirical, though abstract, proposition is that increased differentiation among these functions results in higher adaptive capacity of the system. Just as the division of labor increases economic capacity, action systems generally work better when particular institutions and processes specialize in one of the functions rather than mixing them. Thus, there is a continual tendency, as systems face new challenges and learn to perform better, to differentiate along functional lines. A major historical example is the differentiation of the polity (G) from the Church (L), which started during the Reformation: by distinguishing values from political authority, societies were able to be far more inclusive and flexible than before (Parsons 1964, 1966).

Functionally based institutions are characterized by distinct orientations, or 'ways of seeing'. From the economic point of view, for example, the primary value is utility; from that of the polity, it is effectiveness; for the community, it is solidarity; and for the value sphere, it is integrity. It is intuitively evident that these orientations can often conflict: decisions made from the orientation of pure utility may well pull against solidarity or integrity.<sup>1</sup> The point is that a successful social system must maintain and develop all these orientations—it can survive neither in the absence of economic utility nor in the absence of solidarity—and so must find ways of working through and overcoming such tensions.

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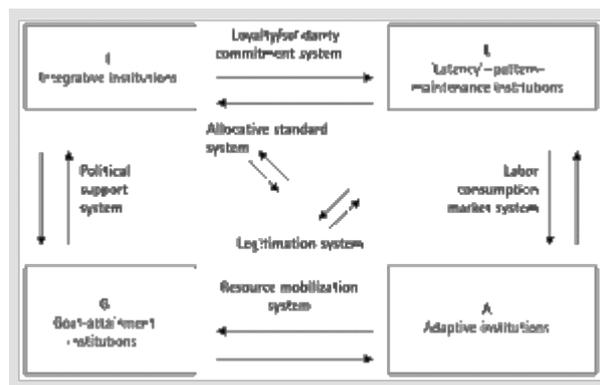


Fig. 27.2. The interchange paradigm (Parsons and Platt 1973: 426)

This led Parsons to the further step of analyzing interchanges among the subsystems (see Figure 27.2). To take one interchange as an example: political actors need value-based institutions, as Weber showed, to secure their legitimation; Parsons conceptualizes this as an input from the value sphere (L) to the polity (G). Legitimation becomes more effective in supporting power if the two spheres are relatively differentiated from each other. This means that if, for example, the Church is merely an appendage of the State and is not seen as maintaining an independent orientation, it will not create trust among social system members by approving of political acts; but if the Church is seen as effectively representing the independent value stance of integrity, then its approval will make a real difference in members' willingness to obey commands from political leaders.

On the other side of the exchange, the value sphere in turn needs an input from the polity that Parsons calls 'moral responsibility for collective interest'. If political actors fail to assume moral responsibility—to make the link between their actions and generalized values—then the value sphere itself is weakened and becomes less able to provide effective legitimation.

This I—L interaction is one of six major exchanges among the functions, each of which could inspire reams of studies (as the concept of legitimation has already done). Together, these exchanges mediate the differing priorities of the system's parts and, through a dynamic process of dialogue or negotiation, maintain a relative balance among them. To the extent that this balance is achieved, it provides a set of (p. 613) answers to the fundamental question of every actor: Why should I trust this system and the actors in it?

It is worth emphasizing again that these are exchanges of expectations, or norms. Parsons interprets labor power, for example, not in terms of its physical base but as an input of commitment to the economy. If a firm receives only physical labor from its workers it will function badly; it will be able to generate more utility to the extent that it can generate broad commitment to economic and firm values. Parsons does not in any sense deny the existence of force or 'mere' incentives; but from his perspective, any system that relies on these to motivate action will be very constrained. His analytic mission is to under-

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stand how a system can build far more generalized forms of trust that enable people to act both freely and with coordination.

Since the subsystems have differing orientations, communication among them raises problems of translation: each of the four sets of institutions requires a 'language' capable of symbolizing its value in a way that is understandable to others with a different orientation. This led Parsons to the development of media theory, which has become one of the most influential parts of his approach (see Chernilo 2002). He began with *money*, which he treated as a medium symbolizing economic value, then identified three analogous media grounded in each of the other functional subsystems as ways of symbolizing their value. For the goal-attainment system, the medium is *power*; for integration, *influence*; for pattern maintenance, *value commitments*. The legitimation process, for example, involves an exchange mediated by power and value commitments.

This is an unusual view of power, to take just one of these four. Parsons is claiming that power is not just a way of making someone else do what you want; rather, it is a way of communicating the system's need for collective mobilization so that people will willingly obey. It 'works' only to the extent that it is exchanged for value commitments, so that it is viewed as legitimate, and also for influence and economic resources. In the absence of such a generalized medium of power, the system is limited to the use of mere force, which makes it far less effective.

A further important refinement is that when the exchanges break down, the media undergo processes similar to inflation and deflation of money. There is inflation when actors trust a medium too much—believe overmuch in what it can deliver: for example, power inflation typically occurs at times of system crisis, when everyone wants to believe that those with political authority have the answers. Inflation is frequently followed by a deflationary reaction, when people withdraw their trust and demand hard results (Parsons 1963; Coleman 1963).

This framework is built from a very few concepts and yet is enormously rich in distinctions and relations. To continue with the much-vexed concept of power: as Parsons notes at the start of his article on the subject (Parsons 1963), most uses of the term are very diffuse and inconsistent. This framework gives it a relatively precise meaning—or rather, breaks it into an array of precise meanings. All four (p. 614) of the media of exchange might be called, in the usual vague parlance, 'forms of power', in that they are ways of getting others to do things; yet they operate very differently. Power based on political authorization is very different from 'moral authority' based in the value sphere, or from influence based on appeals to solidarity. Moreover, we can better understand distortions: political power in a deflated form moves towards coercion, while in inflated form it is easily manipulated as a kind of 'false consciousness'. The paradigm provides, in short, systematic leverage on these complex issues involving social norms and orientations, which are generally treated idiosyncratically, diffusely, and disconnectedly.

## 27.3. Applying the General Theory: The Development of Collaborative Organizations

This tour through Parsons's general theory now allows us to explore the question: Does it provide any insight on organizations beyond what Parsons himself said in the 1950s? In order to best use my own knowledge I will focus this discussion on one kind of organization—the business firm. I will try not only to elaborate on certain aspects of Parsons's first analysis but also to understand a major and often-confusing empirical development in the last few decades: increased use of cross-boundary collaboration. My evidence will be drawn primarily from two cases: the mod IV product development team at Honeywell (Margolis and Donnellon 1990), and a unit of Citibank responsible for developing an e-commerce capability in the early 2000s (see Heckscher 2007: ch. 3). The first of these was an early and troubled exemplar of the move to cross-functional collaboration; the latter was more successful and developed.

Traditional large firms—through about the 1970s—were based around strong cultures of loyalty: the organizations offered high security, but asked in return diffuse commitment and deference to authority. This normative structure was a basis for strong trust, loyalty, and security, which was for many very attractive. In the last few decades, however, this traditional corporate community has been challenged by a set of problems that it is unable to master: increasingly rapid technological change, heightened competition as a result of globalization, changing consumer expectations, and so on. These challenges have 'broken' the old normative structure and forced dramatic, but poorly justified, waves of downsizing and restructuring.

The resulting debate has gone in several directions. A large number of writers have implicitly or explicitly advocated a return to loyalty; this is especially common (p. 615) in the popular press but includes some academic writers who focus on worker satisfaction or who tout the Japanese model (e.g. Ouchi 1981; Gordon 1996). Others have, to the contrary, celebrated the 'liberating' effects of breaking the old system: it frees productive forces from (they argue) the constraints of employment security guarantees; at the same time, it frees employees by providing opportunities for increased diversity and choice (Arthur and Rousseau 1996; Bradach 1997).

From a Parsonian perspective, the first of the reactions just described reflects a desire to return to the comfort of the familiar system; the other reflects a desire to break it. In effect these options pose a choice between the traditional form of community and no community at all. Both, however, are severely problematic. Lack of community leads to mistrust, fundamentally undermining the ability to interact. Traditional loyalty is a normative framework that provides trust, but it has major limitations: it relies on a concrete level of conformity and homogeneity that limits the ability to adapt and innovate (Kanter 1977; Mills 1951; Jackall 1988). (Figure 27.5 is my attempt to formalize the traditional firm in Parsonian terms.)

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Parsons would invite us to explore a third alternative, one with a greater adaptive capacity than the traditional form, built on a higher level of differentiation and more generalized and flexible exchanges—and therefore more flexible relations of trust. A small group of scholars has begun to explore such an alternative, calling it variously ‘network’, ‘trust’, or ‘community’ (Thorelli 1986; Bradach and Eccles 1989; Powell 1990; Sabel 1993; Adler 2001; Adler and Heckscher 2006). This alternative believes in the need for normative integration, trust, and commitment, but suggests there is an emergent form different from the community of loyalty. Such a shift would require a basic restructuring of expectations and normative exchanges.<sup>2</sup>

In this view, the continuing development of capitalist economic production puts the traditional ‘paternalist-bureaucratic’ structure of relationships under severe pressure because it demands a wider and more flexible circle of trust. A very well-explored concrete example of the problem is the automobile design process. Traditionally designers have ‘thrown’ products ‘over the wall’ to manufacturers with very little communication. As consumers have become more demanding, it has become evident that it is much more effective for the two functions to sit in the same room and talk openly. Yet this apparently sensible innovation is in fact very hard to implement because of the lack of integration—in Parsons’s normative sense—between these functions. Multifunctional teams, even late in the first decade of the twenty-first century, regularly run into problems of misaligned expectations and values-based problems of ‘territorial’ defensiveness, cultural misunderstandings, (p. 616) and conflicting priorities (Clark and Fujimoto 1989; Donnellon 1993; Heckscher 2007).

At a wider level, companies find it increasingly necessary to plug in to worldwide networks of knowledge development and to form relations that cross firm borders far more than before—in the form of alliances, partnerships, involvement in open-source processes, and many other mechanisms. These problems make it imperative to solve the basic Parsonian problem at a higher level: to include more different orientations and to allow more scope for independent and voluntarist action, while still maintaining a coherence that allows the system to function rather than spiraling into a cycle of mistrust and loss of coordination.

The four-function paradigm draws our attention to a set of problems involved in this ‘adaptive upgrading’. The starting problem we have pointed to is the elaboration of the methods of integration among more diverse and specialized actors. This is an issue that had already drawn Parsons’s attention as early as the 1950s: the need to incorporate differences in capability, especially in knowledge, that ‘break’ the chain of authority. But because social exchange consists of balancing expectations, this elaboration in turns puts strain on the relation to other parts of the system—creating a whole set of problems of trust, which can be traced systematically through the analysis of the interchanges. If a manufacturer tries to reach out in a new way to involve a marketer in broad dialogue around customer needs, the marketer is likely to respond from an established, ‘narrower’ point of view that protects his function. How should the roles be redefined so that both

sides can trust the relationship? How will that then affect the way they think about making collective commitments? How will it affect the definition of their shared values?

I will illustrate a Parsonian analysis through the systematic exploration of the development of integrative systems in collaborative enterprises, and its effects on the three sets of interchanges centered on integration. This will necessarily be very brief, and will leave out further necessary analyses. (For a diagrammatic version of the following analysis, see Figures 27.3–27.7.)

### 27.3.1. The Internal Development of Integrative Institutions

The first and most direct requirement for collaborative systems is for a set of norms that define appropriate behaviors for the differentiated actors in situations that call for influence rather than power—that is, where the central problem is to combine diverse knowledge or capabilities. How are marketers supposed to act in a cross-functional team or process? When is it appropriate for them to insist on their particular expertise, and when should they defer to other members? How should the group go about defining and modifying its shared purpose? How important is it for people to know and like each other personally beyond the task requirements? (p. 617) Who should define tasks? When there are conflicts, what are the proper responses and procedures for resolution? How should they handle slackers and other deviants? These questions, and many others, come to the foreground in a new way in teams and processes that are not merely extensions of hierarchical relations of power.

Such problems have been the center of a remarkable wave of innovations in the last few decades that Paul Adler and I have summarized under the term ‘interdependent process management’ (Adler and Heckscher 2006: 43 ff.). This consists of the elaboration of routines and roles for coordinating differentiated specialists without putting them under a stable hierarchy of command. At the simplest level, the idea that peers should begin projects by reaching agreement on roles and responsibilities is now routine in many organizations, but it was virtually unknown twenty years ago, when the roles were simply defined by the person in authority. The techniques of managing interdependent processes now go far beyond that simple starting point; they involve elaborate procedures for managing information and flows, setting goals, and maintaining accountability—all without the direct use of formal power.

A crucial part of this development is the creation of effective reputational systems. Reputation in the paternalist firm is very unreliable—one can say, with proper precautions, that the ‘market’ in reputation is very limited. Most information about performance and capability circulates very little, and the superior authority has a monopoly on the public definition of reputation. This limited market is easily distorted: whispering campaigns, water-cooler conversations, and partial impressions often become the dominant currency. By contrast, in successful collaborative firms, there are many sources of information about capability: informal exchanges are seen as legitimate and valid, and are therefore

much more open, and they are generally supplemented by formal mechanisms of multi-source feedback (Heckscher 2007: chs. 3 and 6, esp. 95 ff.)

### 27.3.2. Integration in Relation to Goal-Attainment: Influence and Power

The development of this associational dimension enormously increases the ability of people to work together flexibly and effectively across organizational boundaries, going far beyond the hit-or-miss network of informal contacts. But it also puts strain on relations to other aspects of the organization and requires the development of more complex interchanges at all its boundaries.

The most obvious one is the relation between the elaborated set of associational institutions based on influence and the hierarchy of power. The tension is fundamental: power used inappropriately can undermine the conditions for effective (p. 618) integration of capabilities by suppressing essential knowledge and demotivating contributors; on the other hand, purely collaborative processes can go on forever without reaching binding decisions. The Harvard Business School case study of the Mod IV Product Development Team documents the struggles of a team and their hierarchical boss at Honeywell in redefining their relationship. The latter says:

We have several problems going on right now, and I'm not really happy about them, but no one expects me to be happy about them. But I know all those people are really working hard to resolve the problems. Now if you jump in there and shout, or accuse, then what you're basically saying is you don't have faith in the people you've assembled to get the job done, or you don't think that they're giving it their best effort. We may lack some skills in the technology we're in, but basically I think we have a good set of people, and I think they're working really hard. My job is to support them rather than shout at them. (Margolis and Donnellon 1990: 11)

This executive is manifestly caught between the 'power' problem of mobilizing people effectively around a clear policy—he is 'not happy' with their performance—and building their integrative capability by giving them the space to build teamwork, to work out the issues on their own with full engagement. He is looking for ways of communicating his needs—an example of what Parsons would call a medium of exchange—that moves beyond 'shouting' and enables a more effective balance between those orientations.

For this particular interchange between goal-attainment and integration, using power and influence, I will go to one more level of detail. Parsons's complete theory, drawing on economic models, specified each interchange as a double exchange, one of factors and one of products. Without going too deeply into the logic of factors and products,<sup>3</sup> we can begin with Parsons's sketch of the double set of interchanges between integrative and goal-attainment institutions at the level of the social system.

Our focus requires looking at the same interchange, but specifying it in two ways. First, we are focusing on the economic subsystem rather than on society as a whole. Second,

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we are analyzing not economic organizations in general, but a particular stage of their development with relatively complex integrative institutions and a highly symbolized medium of influence. In this particular setting, the 'problems' that the interchanges need to bridge are specifications of the Parsonian categories.

		Medium	Exchange		
G Polity	Factors	Influence	←	interest demands	I Societal community
		Power	→	Policy decisions	
	Products	Power	←	Political support	
		Influence	→	Leadership responsibility	

Fig. 27.3. Parsons's definition of societal I-G interchanges (Parsons and Platt 1973: 432)

The first input from integration to goal attainment involves assertions by the differentiated actors that they have some crucial basis of influence that the power system would do well to heed. At the societal level, Parsons identifies this input with (p. 619) *interest demands*, which are exchanged for policy decisions. Within a collaborative firm, however, what the policy makers need to pay attention to is not interests as such but the relevance of particular *capabilities* to the firm's goals. Such influence is based on the ability to deliver expertise effectively to build the team's success. The credible assertion of these capabilities depends heavily on effective reputational systems as mentioned above—preferably based on well-organized multi-source feedback.

The Mod IV leader, like many caught in the transition from simpler paternalist hierarchies, was not very clear about what he needed. He emphasized that the people on the cross-functional team, though perhaps 'lack[ing] some skills in the technology we're in', were 'good people' who were 'working really hard'. Because he lacked sufficient input of assertions of capability, he did not have a good sense of whether these were the right people for the job in terms of their particular competence and knowledge, nor were mechanisms available to bring in new capabilities at the proper moments. This lack of data and confidence contributed greatly to the leader's dilemma about whether and how to intervene in the team's functioning.

		Medium	Exchange		
G Collaborative leadership	Factors	Influence	←	Assertions of capability	I Interdependent process management
		Power	→	Guidance of processes	
	Products	Power	←	Collaborative accountability	
		Influence	→	Support for capabilities	

Fig. 27.4. I-G interchanges in collaborative enterprises

The authorities' reciprocal input to the integrative sector is what Parsons calls 'policy decisions' that shape its functioning. I suggest a specification that I call (p. 620) 'guidance of processes'. The problem here is that the integrative institutions that bring together differ-

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entiated capabilities need a fair amount of autonomy to function properly, but they also need guidance about what to focus on in terms of the firm's goals and mission. This tension has given rise to the concept of 'chartering'—another innovation of recent years—in which the leadership defines essential responsibilities and tasks but leaves considerable openness about who will be involved and what resources will be required. People in such contexts talk about wanting a 'clear *direction*'—rather than a clear *directive*. As a Citibank e-Solutions employee put it, 'Focusing on the alignment and focusing on value-generation ... is the way you get trust.' Chartering is just the first step in a process of guidance involving periodic realignment between the integrative process and the system goals. All this is, of course, sharply different from the bureaucratic process of monitoring performance of job tasks, which essentially ignores the integrative aspects and assumes that performance can be entirely managed by power.

The reverse side of the exchange, the return of power to the executive function, comes in the form of what I call 'assumption of collaborative responsibility' (see the contrast of the I-G exchanges in Figures 27.5–27.7).

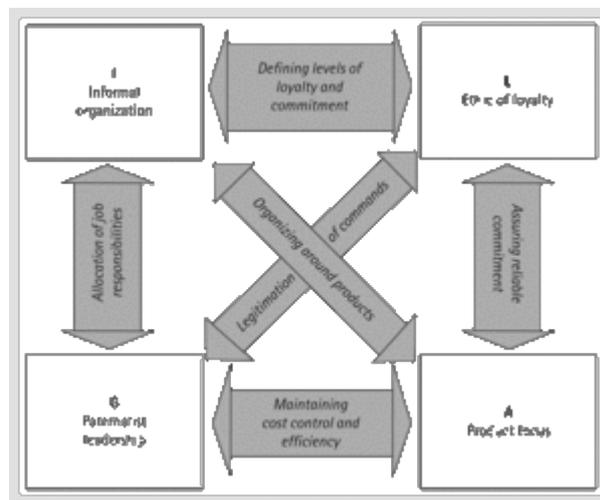


Fig. 27.5. Exchanges in paternalist bureaucracies

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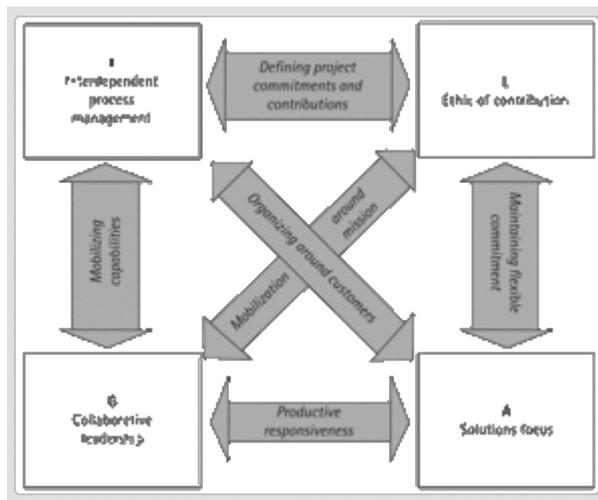


Fig. 27.6. Exchanges in collaborative enterprises

L Ethic of contribution	Factors	Influence	← Assurance of value of contributions	I Interdependent process management
		Commitment	→ Commitments to the system and processes	
	Products	Commitment	← Commitments to common mission	
		Influence	→ Legitimation of claims to contribution	
G Collaborative leadership	Factors	Influence	← Assurance of capability	I Interdependent process management
		Power	→ On scope of processes	
	Products	Power	← Assurance of collaborative responsibility	
		Influence	→ Participatory leadership responsibility	
A Solutions focus	Factors	Money	→ Assurance of claims to resources	I Interdependent process management
		Influence	← Standards for allocation of resources	
	Products	Influence	→ Solutions-based grounds for justification of claims	
		Money	← Solutions-based variety of claim-subjecting	

Fig. 27.7. Detailed exchanges in collaborative enterprises—integrative focus

Responsibility is the organizational version of Parsons's term, drawn from political science, 'electoral support': it is the way in which authority gains the trust, or degrees of freedom, that it needs to define the goals for the system. In the bureaucratic form, lines of accountability correspond closely to lines of authority, but in a collaborative organization accountability gets much more complicated. People are no longer expected to simply do what they are told, and they do not expect to be told specifically what to do; the notion of accountability becomes—in true Parsonian manner—more abstract and mediated. At Citibank e-Solutions, people said things such as:

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I have five or six bosses, with one direct boss and dotted lines to all the global heads. My evaluation will be managed with their input. ... The feedback given by some of my dotted-line bosses sometimes doesn't mix; so I get them on the phone and they resolve it. They say, 'Don't allow yourself to be pulled in different directions.'

Here the accountability involves not a passive acceptance of orders, but active responsibility involving use of influence to 'resolve' the multiple demands of power. Such accountability serves to increase the power of the organization as a whole—its (p. 622) ability to get things done—and is much less directly dependent on the power of individual bosses.

For the final piece of the exchange, the return of influence to the integrative institutions, the question is: In what way does line authority contribute to supporting the associational institutions?<sup>4</sup> The Mod IV leader found this very difficult: he feared that any action on his part would instead undermine the operation of the team. He understood vaguely that using his power constructively required that he 'support them rather than shout at them'. We can be more precise: the problem identified in the interchange model is to strengthen the ability of the functions to interact with each other.

(p. 623)

This is an area that remains difficult to pin down. There is a literature on 'participatory leadership', but it generally fails to make a central distinction that is highlighted by this framework: between leaders who merely encourage their subordinates individually, in a paternalistic way, in order to strengthen the boss-subordinate bond, and those who increase associational capabilities. In my own interviews, even in relatively developed organizations, people struggle to put this into words. One e-Solutions leader said, 'You are being put in a position which is asking you to take your own authority and your own value and spread that around.' Most people in that organization described boss-subordinate relationships as a matter of discussion and negotiation—'more of a dialogue around the business proposition'.

In general, considerable progress has been made on one side of the I-G interchange, but less on the other. Much has been learned about how influence can contribute to power—how executives can mobilize differentiated capabilities for the organization's goals; but there is less understanding of how power can contribute to the strengthening of influence, the ability to create effective teams of differentiated capabilities. Since this is an exchange, the imbalance restricts the overall capacity of the system. In general, the picture is still one in which 'pockets' of successful influence relationships have developed within many corporations—areas where people work together relatively easily across lines and can build on the differences in their knowledge—but there is insufficient system-level understanding of how senior leaders can encourage this.

### 27.3.3. Integration in Relation to Latency and Adaptation: Money and Value-Commitments

Each of the exchanges involved in the development of collaboration raises problems that cry out for entire streams of studies. The scope of a chapter does not allow analysis of the other interchanges around the integrative problem at the level of detail I just applied, though briefly, to the I-G interface. Rather than trying to break these interchanges down into their components, I will only point to some of the broad issues in the relations between integration and the value system, on the one hand, and the adaptive system on the other (see Figure 27.6).

The significance of the L-I exchange—the relation of the value system to collaboration—is often missed by the large coterie of scholars who have focused on the development of ‘networks’. As Richard Munch noted long ago, the ‘American creed’ in sociological theory has regularly overemphasized the power of pure self-regulation among autonomous agents (Munch 1986), which in Parsonian terms is integration without value unity. Such mere horizontal integration is very fragile, however, easily producing ‘chain reactions’ of misunderstanding and conflict. (p. 624) Attention to shared values acts as a kind of regulator to maintain alignment across shifting networks of interactions.

The values of paternalist bureaucracies centered on the notion of loyalty, a pattern of stability, deference, and reliability. But this value complex is too concrete and narrow to unify complex networks that cross boundaries of functions, levels, firms, and countries. Loyalties attach to particular firms, units within firms, and leaders, creating limited spheres within which people cooperate fairly well but outside of which they are mistrusting. These loyalties therefore become a barrier to integrating capabilities on the increasingly broad scale required in a knowledge economy.

Thus, one of the processes that goes on in the move towards extended collaboration is what Parsons called ‘value upgrading’, a phenomenon that has received almost no attention. Most analysts have focused on the negative side, the dismantling of the value of loyalty. What they have not noticed, but to which the Parsonian framework draws attention, is that there has been significant development of a more abstract, universalistic set of values that define a broader business community beyond firms. This involves an increasing commitment to a generalized ‘capitalist’ or market orientation seen as good, not just by the captains of industry but by middle managers and below. These levels are much less likely to define themselves as ‘General Motors men’ and much more likely to see themselves as ‘good business men’—and, of course, women, since the broader orientation also requires less emphasis on concrete similarity and conformity as a basis for trust. (See the contrast of the I-L exchanges in Figures 27.5–27.7.)

This value upgrading has been supported by a societal and indeed international growth of educational systems developing business orientations. Prior to the 1980s, most employees assumed that financial planning would get taken care of by the companies they worked for, and they could just focus on doing their jobs; they typically did not know much about money market funds or retirement financing. Today the level of general busi-

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ness literacy, and commitment to the values that attach to it, is much higher: the popular business press, daily business sections of newspapers, hourly stock market updates on popular radio increasingly provide a universally understood language and orientation that enables people to work together across organizational boundaries.

The application of this general business orientation to the firm is what Adler and I have called the 'ethic of contribution' (Adler and Heckscher 2006: 39 ff.; Heckscher 2007: ch. 4). The defining aspect is that value is attached to contribution to the firm's business purpose. Other aspects of interaction—niceness, conformity, shared friendships—which were central to the culture of loyalty are now treated as secondary or extraneous. There are many components to this pattern of contribution that are markedly different from those of the loyalty pattern: in particular, a positive embracing of diversity of capabilities, and of dialogue, conflict, and criticism. These value orientations are increasingly institutionalized above the level of firm and function, through more general cultural mechanisms of the media and schooling.

(p. 625)

A new set of processes are needed to bridge the gap between these general value orientations and the operation of specific teams, task forces, and other associational mechanisms. A crucial problem at this L-I boundary is that people's commitment to teams is no longer 'given' as a result of a boss's command, but must be negotiated: in organizations like Citibank e-Solutions, individuals have considerable choice in what projects they join, and they typically juggle a half dozen commitments or more that are not simply aligned with the authority of a single executive. Thus, people have to learn how manage their own commitments to projects, and how to persuade others to join with them in developing new opportunities, by referring to the broad values just discussed rather than to particular loyalties. This requires a long process of detailing new expectations and patterns of interaction, which one can summarize by reference to the exchanges between I and L: people need to agree on appropriate arguments for this persuasion, of acceptable standards for acceptance or refusal, of the kinds of commitment one can legitimately ask for, and so on. Furthermore, for full functioning of this commitment exchange, it has to contribute as well to strengthening both the value-maintaining and the integrative functions—both the overall commitments to the firm's mission and the institutions for coordinating the multiple projects.

Finally, here is an even briefer word about the third interchange around the integrative function, that with adaptation. I suggest that the move to collaborative organization is linked to a broad increase in the complexity of organizations' adaptation to the environment, captured in a strategic shift from product focus to solutions focus (Heckscher 2007: ch. 1) (see the contrast of the I-A exchange in Figures 27.5 and 27.6). A product focus is relatively simple, focusing largely on internal development and then trying to 'push' products out to the market; a solutions focus involves a more complex, interactive relationship with customers, seeking to understand their problems in depth and to mobilize the firm's resources around them. This is a major driver of the elaboration of cross-boundary collab-

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oration, but it, of course, also creates new problems of coordination. The hierarchy of authority is once again too restricted: no one branch of hierarchical offices covers enough scope to manage the provision of resources to the solutions teams. Thus, there is a need for differentiated processes cutting across the hierarchy. One widespread manifestation is the new and increasingly important role of 'Customer Relationships Manager', cutting across the formal authority structure, responsible for bridging between the internal capabilities of the firm and the demands of customers.

### 27.3.4. The Firm in Relation to Other Social Institutions

So far my analysis has been on (part of) the internal functioning of the firm. But a major significance of Parsons's work is that it also draws attention to, and enables us to think systematically about, external exchanges across boundaries. The firm, as (p. 626) mentioned earlier, is focused on the goal-attainment function within the economy; all the changes we have explored in firm structure thus will have ramifications on wider economic institutions. Even a cursory scan of this next level of analysis brings into focus a number of these problems.

The relation of firms to the *integrativesphere* of the economy, for example, highlights the evolution of inter-firm relations from a relatively simple model of competition to complex patterns of alliances, collaboration around standards, and so on—sometimes summarized under the rubric of 'co-opetition' (Nalebuff and Brandenburger 1996; Tsai 2003). These developments have put into question some of the most fundamental norms of economic interaction, creating new choices and new difficulties manifested in an explosive growth in the complexity of contractual relations.

The relation of the firm to the *valuesphere* of the economy—and through it, to that of the wider society—involves some of the most important and difficult problems in the firm's external exchanges. The 'ethic of contribution', legitimated by a wider social emphasis on economic values, works well enough within the firm; but the value of capitalist enterprise represents only one aspect of a fully functioning society. Its incompleteness is evident in the growing tension around other social values, especially around the inclusion of diverse identity groups and the role of religion in society. The ethic of contribution assumes that economic value is sufficient to unify everyone; but there is a danger, from the point of view of the organization, that the severe value splits in the wider society may penetrate the firm and make it harder to agree on what contributions have value and what the purpose of the firm should be. Such disagreements would greatly undermine collaborative institutions.

### 27.3.5. The Problem of Change

I have described an emergent system of collaborative organization and the problems that it needs to resolve to function effectively. This analysis supports, in a more systematic way than usual, the popular business view that such an organization is better than the older model of paternalist hierarchy, in the sense that it has a higher adaptive capacity—it

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can mobilize more resources more flexibly across a wider range of external conditions. Yet despite this argument, companies are not simply moving smoothly forward; the process has been advancing for a long time, since at least the 1970s, and is very far from being completed yet.

Parsons's approach illuminates many aspects of the dynamic process of change. The difficulty is that any process of social change requires changing mutual expectations: in Parsons's framework, the two sides of the interchange paradigm must balance. If just one party to a transaction shifts to a new set of norms, the other will not know how to respond appropriately. Thus, change of this kind always (p. 627) involves a great deal of risk-taking and trial and error. To illustrate with one small example from the large (and still very incomplete) set of problems sketched above, the development of the Customer Relationship Manager role, though widely seen as crucial for responding to customer demands, has been marked by many failures and misunderstandings. Traditional executives see the role as encroaching on their turf, siphoning off resources that they control, tempting 'their' people into projects that are not in the job description. Those who are approached by Customer Relationship Managers to participate in developing customer solutions are naturally reluctant, even when they personally believe in the projects, because they do not know how such a commitment will play out in terms of their careers, their compensation, or their reputations. They will not be able to develop real confidence in these outcomes, even under the best conditions, until the whole effort has gone on long enough that they can observe its effects.

In these circumstances, the system is in a fix: the old pattern of norms regulating interaction is evidently too narrow and rigid for the organization's problems, and a new one is far from functional; yet at the same time external pressure has been ratcheted up by increased competition from globalized markets. Thus, in many companies the demands on normative institutions—both integrative and value maintaining—outstrip their capacity to respond. That is the very definition of *deflationary* pressure: influence and value commitments suffer a withdrawal of trust, a downward spiral of skepticism about their worth.

In their stead, in many cases, power and money gain. In system crises members commonly want to believe that their leaders can solve the problems for them, and they expect too much—the very definition of *inflationary* pressure on power. Thus, enormous levels of trust are placed in CEOs' transformational abilities, far beyond their ability to deliver, rather than into the more difficult development of new levels of community. Money is also inflated relative to influence: leaders increasingly place unjustified faith in the power of incentives to regulate complex behaviors. One of the interesting themes in my interviews across a number of collaborative companies is the bemused feeling of middle managers that the incentive system is growing simultaneously more complex and less relevant to the real problems they face.

The inflationary trend of power and money is also manifest in the fact that there is constant pressure to use them in ways that diminish rather than increase the power of collaborative systems. Thus, executives under pressure for quick results frequently restructure

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(a power move) and change incentive systems (a money move) in ways that diminish support for cross-boundary solutions processes. This is, I would argue, one reason why the overall trend of white-collar productivity has been so poor, and why so few corporate restructurings and downsizings have paid off (Gittell, Cameron, and Lim 2004).

Parsons only began to sketch the analysis of inflation and deflation of the media; this is one of many areas where it would be of great value to extend (p. 628) the theory. He offered no real guidance for thinking through imbalances of this sort, though it is clear that he would expect them to lead to system crises. There are also no suggestions about why some organizations, like e-Solutions, seem to manage to build in a more balanced way. All this would require much more detailed technical analysis of media and their interaction than has been done to date.

The imbalances in the current phase have so far not spiraled into uncontrolled inflation or deflation. There is some evidence, though not universally accepted, of significant loss of employee confidence in their managers, but nothing like a major collapse. It appears that the contrary currents are partially canceling each other—that the pressure for increased responsiveness is driving continued innovation and development in associational institutions despite the opposing ‘regressive’ forces.

## 27.4. Conclusion

The great achievement of Parsons's framework is that it enables us to systematically explore and categorize the complex patterns of expectations and values needed to maintain trust in developed social systems. Most analysts focus (at best) on one or another problem—on utilitarian exchanges, perhaps, or on issues of legitimation, or on the conditions for group solidarity. Parsons is the only one to put these and other crucial sociological problems together in a single coherent paradigm, enabling us to view the complete set of problems and interactions involved in social systems. In analyzing change, it enables us to trace out the consequences of new capabilities in any one area of social action—how particular shifts will impact other norms and expectations throughout the system, and the types of problems that will be posed.

The approach does a remarkably good job of squaring the crucial circle of action theory: offering considerable rigor by specifying the systemic nature of interactions, without reducing action to a mechanical calculus. It generates not predictions, but rather a sharpened understanding of the conditions and constraints that shape choices. Part of this power lies in the fact that it does not deny the richness of the ‘internal life’ of human beings, as economists do in their search for analytic rigor; Parsons faces issues of values and relations and commitments directly, but he analyses their interplay systematically and rigorously.

There are certainly important holes in the theory. One that I have found particularly significant is the developmental process sketched by Parsons; his sequence of differentiation, inclusion, value generalization, and adaptive upgrading is useful (p. 629) as a start-

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ing point but remains too general for many purposes. My effort in this chapter to specify the interchange model at particular developmental stages goes beyond what Parsons himself did in his work.

Second, as I have indicated, the understanding of the dynamics of inflation and deflation of the media also remains preliminary. The concept of inflation drawn from economics reflects a relation between the medium of money and its underlying 'use value'; but Parsons would like to use the same notion quite differently, to analyze imbalances between money and other media, such as power or influence. He never adequately explored the implications of this novel use of the concepts.

These and other weaknesses, however, can most fruitfully be addressed by building on the substantial scaffolding already in place. A major failure of the sociology of norms, in seeking to go beyond behavioral descriptions and empirical correlations, is that it has almost completely failed to build cumulatively; when analyzing trust or commitment, each author generally starts from scratch, or at best picks up a small thread from a previous author. Parsons has pulled together a large body of work, including that of Weber and Durkheim and many other theorists, into a foundation which should support more weight.

Substantively, Parsons was notable in the 1950s for seeing, long before most of his contemporaries, the growing importance of horizontal 'professional' relations within the bureaucratic hierarchy. In this respect he pointed the way to an extension of the Weberian approach, with its strong emphasis on social norms and meaning, to the growing complexity of late twentieth-century organizations. For analysts today, Parsons still provides, in my view, one of the clearest ways of thinking about why the growth of collaboration is likely to triumph over pure bureaucracy, by tracing the ways it increases the scope of organizations' adaptive capability. He can also help us to understand the enormous difficulties in making the change—the tensions between value orientations and developing associational relations, the delicate balance of power and influence, and so on—which lead so easily to conflict and error.

But the potential of this analytic method remains largely unfulfilled. The general failure to employ this framework and to explore the rich potential of the concepts has several causes. Parsons's own execrable writing style is certainly a contributing factor; but more fundamentally, the trend towards utilitarian-economic modes of analysis in all the social sciences has made it unfashionable to dig deeply into the realms of norms and meaning. Moreover, those who do operate in the broadly Weberian tradition, and certainly in the Parsonian, cannot assume their readers' familiarity with the concepts. So they either address each other, with a tendency to focus on the concepts in themselves rather than on any empirical field; or, if they do empirical studies, they hide their conceptual apparatus. Thus, the theory becomes increasingly divorced from research and real social phenomena and justifies the critics' view of it as arid abstraction.

(p. 630)

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Like any normative pattern, this one cannot change easily; but I believe that it would be of great value for scholars to begin to address and argue about what the Parsonian interchanges would mean for particular organizational problems, and how to extend the theory so as to bring new problems within a coherent conceptual field. I have surely not gotten all the interchanges right in my treatment of collaborative organization, and debates about them would clarify the phenomenon. Pushing further, the elaboration of Parsons's sketchy developmental model and his notions of inflation and deflation of media could be particularly powerful in helping us to understand the dynamics of change, resistance, and conflict in the enormous organizational transformations we are experiencing.

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### Notes:

(1) The 'pattern variables' were Parsons's formalization of these varieties of orientation (e.g. Parsons 1960a). But this is too detailed a level for our purpose here, and Parsons himself rarely used the pattern variables after formalizing the four-function model. I have

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used here his 'value principles' as presented in *The American University* (Parsons and Platt 1973: 434 and elsewhere).

(2) Among the longest and most elaborate efforts to define a new form of organizational community is Adler and Heckscher (2006). Paul Adler approached the problem from a largely Marxian framework, while I worked mostly from Parsons. The following remarks in effect sketch my version of the theoretical background to that essay and of my subsequent book, *The Collaborative Enterprise* (2007).

(3) The factors are in effect 'resources' that are used by the institutions of the receiving functional subsystem and that are communicated in the medium of the sending system: thus, the integrative system uses factors valued through money, power, and value commitments, and it provides factors valued through influence. The products are 'returns' that provide support for the receiving functions and are valued in the medium of the receiving system.

(4) Parsons's term here at the societal level, 'leadership responsibility', is obscure to me, and he does not say much about it.

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