ON THE CONCEPT OF NETWORK
Metaphors of Organizing versus Social Institutions

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Introduction

For some time now the notion of the network-form of organization has been associated with far reaching changes in contemporary economy and society (see, e.g. Castells 1996; Fukuyama 1997). Increasingly, networks have been tied to the emergence of a new socio-economic context that is supposed to challenge central principles of the organizational order of modernity, notably the *boundary-maintaining* practices of modern organizations and the institutional relations sustaining such practices, i.e. *rule following* and *hierarchical stratification*. On this view, the distinctive character of the organizations of the industrial age is identified with the strong regulation of *les points de passage* through which the environment is "allowed" to enter the organization. Organizational closure is a major concern of the organizations of the modern age. It represents a basic means for improving efficiency through the control or exclusion of disturbing environmental effects (Thompson 1967; Ciborra 1993). It is also essential to the reproduction of the organization across distinct and selective lines that guarantee its identity (Luhmann 1995).

Since Daniel Bell's (1973) seminal work, the transition to the information age is customarily assumed to reflect the convergence of several economic, social but also cultural developments (Bell 1973; Fukuyama 1997; Castells 1996; Rifkin 2000). However, the importance of cultural and institutional factors notwithstanding, it is widely accepted that the advent and diffusion of contemporary technologies of information and communication have been pivotal to the transition to the information age (Beniger 1986; Kallinikos 2001). Deployed into organizations, information and communication technologies (ICTs) are assumed to repunctuate the organizational operations throughout. They regroup activities and tasks, and they reframe rather radically the very process of production by making interaction and communication sequences centring around *knowledge development and exchange* central elements of productivity

and value creation (Nonaka 1994; Castells 1996). There is a widespread belief today that the large spectrum of opportunities these technologies create can scarcely be accommodated within the centralized, authority-laden patterns underlying the organizations of the industrial age.

While the overall organizational impact of ICTs has been lively debated for some time now (see, e.g. Kling 1996), there is, perhaps, a way by which contemporary technologies of information and communication challenge in a straightforward fashion the organizational archetypes of the modern industrial age. The expanding social, economic and organizational involvement of ICTs and the diffusion of the internet make the frequent crossing of institutional and geographical boundaries a common everyday experience. As they become embedded in organizations, contemporary technologies of information and communication render increasingly redundant the principle of boundary maintenance and the hierarchical ordering such a principle presupposes. What historians of technology call the *factory system* (Forester 1989) and organizational sociologists refer to, in the lead of Weber (1947, 1970, 1978), as the *bureaucratic form of organization* do no longer appear to be viable institutions, at least not the way they were during the industrial age. On this view, the concentration of people and resources in secluded localities being governed by elaborate systems of rules and regulations are too cumbersome and restrictive to address the shifting demands underlying the contemporary world. Observations of everyday practices may be taken to suggest that the organization form Weber tied to the advent and establishment of capitalism and modernity is on the wane.

Though these trends are difficult to deny, they are open to different and often widely divergent interpretations. The appreciation of the organizational implications of the "network society" cannot but be contingent on the precise and detailed description by which the network form of organization is supposed to challenge the institutional order of modernity. However, this is far from being the case. There is a striking lack of precision in the literature as to what network forms of organization really involve and how they differ from the two basic institutions of the modern economic order, namely formal organizations and markets. In its current use, the term 'network' encompasses everything from *informal groups* sharing norms (Fukuyama 1997) through *flat organizations* operating on decentralized principles (Castells 1996, 2000, 2001) to *temporary alliances* of economic actors and *virtual organizations* (Rifkin 2000). Most importantly, the normative, institutional and legal embeddedness of networks into the wider social order remains unclear and only vaguely described. It is important to uphold in this respect the rather obvious fact that the operations of markets and formal

organizations have been sustained by elaborate systems of rules, legal regulations and social commitments

It wouldn't be then an exaggeration to claim that in its current use the term 'network' seems to offer no more than a *counter image* to the boundary-maintaining, hierarchically structured organizations typical to modernity and the industrial age. Such an image may undeniably suggest an intuitive juxtaposition of networks to formal organizations conceived as rigid, hierarchically structured arrangements of discrete entities (roles, units, departments). However, such an image falls short of the crucial task of detailing the precise forms by which networks are supposed to challenge (complement or replace) formal organizations.

On the basis of the aforementioned considerations, it would be possible to question how far the counter image of 'network' can go in explaining the late capitalist, late modern, post-industrial world. It is of utmost importance to uphold in this context that formal organizations and markets are not images or models of social and economic coordination but central *social institutions*. Markets and organization are key forms of resource allocation and value creation, yet they partake in the construction of the modern world in ways that step beyond sheer economic considerations. As social institutions they express and embed basic orientations (i.e. justice, freedom, meritocracy, accountability) of modernity that bear upon the regulation of labour, commercial but also civic life. They are thus sustained by elaborate systems of legally sanctioned rights and obligations, established practices and strong cultural beliefs and orientations (Gellner 1983). It is not by accident that markets and organizations have been closely tied to the major political ideologies of modernity, i.e. liberalism and socialism. In which sense then do networks correspond to institutionally embedded forms of organization that reclaim from markets and formal organizations the regulation of economic and social relations?

The paper will seek to elaborate on the issues presented so far. Without denying current developments it will take a critical look at them trying to understand how they connect with the organizational and social order of modernity and its social roots. The major aim would be to place the understanding of the relevant changes into its proper historical and social framework that would do justice to the complexity and crucial character of the issues involved.

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