Organisations and environments

The previous chapter provided plenty of evidence that the contexts in which organisations operate, whether they be the rise of monopoly capitalism, the ups and downs of the trade cycle, or political circumstances such as the American New Deal in the 1930s, profoundly shape their nature and development. But does this figure prominently in conventional organisational theory? Salaman argues that it does not:

The society in which these organisations occur, and its relation with these organisations, has been very little studied. To the extent that the outside world does impinge on the structure and functioning of organisations, it is conceptualised not in terms of interests, values, class loyalties, ideologies, market developments etc., but as the organisation's 'environment'. (1979: 32)

Given that 'environment' can be taken to mean external conditions which encompass all the above, there is nothing in principle distinctive or problematic with the concept. That, however, is the problem. The criticism being made by Salaman and others is that the dominant readings of 'environment' lack substance: they are diffuse and fail to specify the local, national and systemic contexts in which organisations are located. This chapter traces those readings and discusses the issues they raise. It then fills in the gaps left by orthodox accounts, notably the new transnational context and actors; as well as the changing nature of the state in capitalist societies. Finally, we pose the question of how organisational theory should think comparatively in a world in which the environment is increasingly shaped by a global political economy. More recent and promising developments in organisational theory will be examined as part of this process, notably neo-institutional perspectives that see the firm as embedded in networks of institutional relationships that have different configurations across societies (Hamilton and Biggart, 1988; Whitely, 1992a).
This is all a long way from early organisational theory. It is conventional wisdom to argue that classical and other perspectives took no account of the environment. Instead they were concerned with manipulating the internal variables of an organisation in the service of goal attainment. Specific emphasis tended to be put on the development of rules or principles maximising the rational and efficient application of resources embodied in work design and other aspects of formal structure. Because this treats organisations as self-sufficient entities, or systems in and of themselves, it has been retrospectively dubbed *closed systems theory* (see Clegg and Dunkerley, 1980: 191–6). Human relations theory, too, has been criticised for suspending the firm in a social vacuum and ignoring the degree to which its problems were results of outside pressures (Albrow, 1973: 406). This is somewhat unfair. Researchers such as Mayo, Roethlisberger and Dickson did recognise the effects on employees from membership of wider collectivities, such as communities. The problem was more that they and their less discriminating followers tended to believe that the solutions could be found through internal adjustment.

If anything, the supposedly more sophisticated neo-human relations perspectives of Maslow, Herzberg and others were more guilty of closed system thinking. Their emphasis on a model of universal psychological needs that, once identified by the intelligent manager, could be harnessed through new forms of organisational design, completely isolated the individual and the firm from social structures (see Chapters 5 and 7 for further discussion). Since the 1960s, closed system approaches have largely been frowned upon. However, that does not mean that they have gone away, for two reasons. First, the focus remains overwhelmingly on the *individual* organisation and there is a tendency for theorists to highlight internal and predictable goals–means relationships that can operate as a ‘buffer’ to the environment (R.H. Hall, 1977). Second, the popular management search for a magical ingredient for organisational success which can be internally controlled also increases the likelihood of a constant reworking or accommodation to a closed system approach. A prominent recent example is the fashionable concern for organisational culture expressed through the writings of Peters and Waterman (1982) and their many imitators on both sides of the Atlantic.

Peters and Waterman utilise a schema derived from W.R. Scott (1978) in which four stages of theory proceed through closed system/rational actor (Weber/Taylor); closed system/social actor (human relations of all kinds); rational actor/open system (for example, Lawrence and Lorsch, see later); to the favoured open system/social actor. We have already argued in Chapter 1 that the authors do not depart significantly from a rational model, and would make a similar point with reference to closed systems. The whole selling point of the excellence genre is that the strategy and structure themes discussed in this chapter are out, and culture, style, symbols and values are in (see Chapter 7 for a more detailed assessment). Successful companies are those that create