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**Gertraude Mikl-Horke**

### **Diffusion of conceptions of the enterprise as an aspect of globalization: a political/cultural perspective**

#### **Extended abstract**

The topic of this paper was prompted by a concern with the increasing changes in the ways we are guided to think about work, working life, firms, markets and states, and their spread across national borders, across societies and cultures in the process of what is called „globalization“. I picked on conceptions of the enterprise because these seem to be in the center of the changing culture of the economy.

#### 1. Conceptions of the firm and the globalization process

Ideas as to what an enterprise is, what its goals are and what instruments it uses to reach them, are powerful elements determining economic culture and therefore the culture of society as such. These ideas have changed greatly over time in our own culture and were perceived as quite diverse in different cultures. Novel conceptions of enterprise have made their appearance in the business field and in the academic world in the last decades resulting in a huge literature on organizational and managerial practices and the development of a management knowledge industry.

As a first step the theoretical problem connected with the social science treatment of globalization is developed. The concept implies the worldwide range of economic operations of firms, a process of homogenization of lifestyles and values and/or the universalization of standards, norms and institutions. The forces driving this process are the worldwide network of telecommunication, the operations of multinational corporations and the deregulation of markets. In the field of management and business conceptions, too, there can be seen such a process of global spread leading to a universalization of organizational structures and business principles. On the other hand comparative studies in the social sciences stress the continuing divergence of „business systems“ (Whitley 2000) and the varieties of capitalisms (Hall/Soskice 2001). In their view the enterprise is embedded in national institutions and cultural environments.

#### 2. Diffusion as a social science perspective

It is suggested that the ambiguity of globalization vs. localization is founded in the specific social science perspective of focussing on ordered structures and in the treatment of „culture“ as a unity of traditions lagging behind the economic and technological change. This perspective emphasizing structure and institutions has been a reaction to the market and technology-driven argumentation that prevails in most of the economic and management literature. Diffusion as a social science perspective can, therefore, be seen as an alternative to

the structural-institutional view of society and culture putting emphasis on processes of change.

The concept of diffusion is used in various connections and in many research fields like cultural anthropology, geography, mass communication research, marketing, rural sociology and development economics. The word itself originated in the natural sciences to denote the spread of particles in liquids, gases or solids as a result of spontaneous movement or the reflection/transmission of light. Within the social sciences diffusion became an object of controversy with regard to the theoretical and methodological foundations of these disciplines, but it was especially pronounced among cultural anthropologists in the latter half of the 19<sup>th</sup> century.

In sociology the work of Gabriel Tarde is seen as closely connected with the diffusion perspective. He saw the process of imitation as the driving factor of cultural change and development working in the way of a natural law. Modern diffusion of innovation theory invariably cites Tarde as its founding father. But his sociology has more far reaching implications with regard to conceiving social change and the micro-macro-relation as it has been shown recently by the philosopher of science Bruno Latour.

### 3. Diffusion of innovation: research and theory

Diffusion in the last decades has emerged as the focus of a special interdisciplinary field of empirical research commonly known as „diffusion of innovation“. It developed out of a combination with communication studies that led to a shift of concern from the effects of mass communication to the process of diffusion. One of the foremost fields in which diffusion studies made their reappearance was rural sociology, others are geography, marketing and development economics.

As the basic text of diffusion of innovation theory Everett Rogers „Diffusion of Innovation“ (4<sup>th</sup> ed. 1995) is usually referred to. Rogers elaborated on the insights of Tarde combining it with communication process analysis. He defines diffusion as the process by which an innovation is communicated through certain channels over time among the members of a social system. Diffusion studies are based on the understanding that diffusion is a relational process, i.e. it works through the relations and communications between people. In the social system potential adopters have different roles with regard to their effects on the diffusion patterns or their location on the diffusion curve; they are early or late adopters, function as gate-keepers, opinion leaders or else are laggards.

Most diffusion of innovation research deals with either a message or some tangible technical innovation or material good as the typical object spreading among a population of individuals. Therefore, the focus has long been on the sociopsychological processes involved in the adoption decision leading to an emphasis on social contagion and imitation processes. The preferred methods of diffusion research is quantitative. Moreover, it was thought that the diffusion process developed in the way of a natural law, that is, in the course of diffusion the social system develops a self-generated pressure towards further adoption. Interpersonal influence was soon not only seen as just a channel of communication, but as networks of communication through which influence and innovation spread through society. The investigation into the spatial range of regular social contacts as channels of diffusion led to a strong connection with network analysis and formal-mathematical models. The structure of

the network influences the speed of innovation adoption and the proportion of the population that adopts it.

While most of diffusion of innovation research has been conducted in other disciplines, there are some studies in sociology as well. From the perspective of sociology there are roughly three approaches to be noted with regard to diffusion studies: relational accounts using communication theory and social network analysis, interpretive accounts of the discourse that catalyzes flow (e.g. „success stories“), and institutional accounts explaining isomorphisms of structure (DiMaggio/Powell 1983).

With regard to enterprise conceptions social science studies have been conducted that deal with the spread of management theories and techniques of quite different levels of abstraction, management „packages“ like Taylorism, human relations, quality circles or total quality management, or else operative issues like quality or zero defects, but also principles like customer satisfaction, humanization of work, long-term growth, etc. The characteristics of diffusion of innovation research are adopted to explain the spread of these more or less complex issues and to refer to adoption by organizations rather than individuals. Thus, the social psychological mechanisms featuring in the diffusion of messages, new techniques and products have led to an emphasis on „spontaneous“ mass phenomena like fads, fashions, social contagion also with regard to management conceptions.

#### 4. The spread of management innovations: Issues of rationality and imitation

The assumptions in economics and in business studies concerning management knowhow is that it is grounded on rationality and that there is a constant progress in management knowledge. The rational-choice perspective is prompted by a rationality preference and not always borne out by the facts. Moreover, there is a specific proinnovation bias with regard to management practices that sees new ideas and change in themselves as necessary and beneficial to the organization. Innovations in management are seen as prompted by rational decisions with regard to their contribution to efficiency.

In the last decades the speed with which new management techniques and concepts have appeared and disappeared has accelerated a good deal, and the most successful of them have become global ideas being diffused on a large scale to companies all over the world. Many of them lasted only for a short period of time and were replaced soon by other management recipes. This has given rise a discussion of the causes for the adoption and of the ways management concepts are diffused emphasizing contagion processes. This was the result of a reaction to the overrationality in the assumptions concerning management knowledge and practice in the relevant economic and business literature. The tenor of the arguments centering around management fads and fashions is rather critical pointing out the cases where adoption has resulted in failure at least with regard to the professed goal of solving the specific management problem.

Studies have dealt with conditions for faddish circles or the emergence of fashions with regard to management practices like strategic planning units, job enrichment, T-groups, matrix structures, quality circles, joint ventures and other organizational techniques. As in consumer research the management innovation diffusion studies assume that organizations imitate practices used by firms with a high reputation in the sector or market or by competitors (fads) or adopt models promoted by „fashion-setting organizations“ like

consulting firms, business schools, management gurus or business mass media dedicated to their creation and dissemination (fashions).

Opinions diverge as to the rational or irrational aspects in the decision to adopt a certain practice with fashionable or faddish qualities; some see it caused by contagion, others put stress on the fact that in situations of uncertainty imitation is a rational strategy. This has prompted studies of rejection of management innovations and their causes, the most often investigated was the fate of the Quality Circles. The curve of the QC-diffusion shows an extensive incubation period where few firms utilized the innovation, a take-off period where popularity rose explosively, a short period of ascendancy marked by very high levels of innovation usage and a period of rapid decline leading to a low equilibrium of usage.

Studies showed that rational choices may trigger efficient innovations adoptions/rejections in the early stages of diffusion, whereas in later stages fads and fashions drive adoption even if the practices are not proved to be efficient resulting in a steep upswing of the diffusion curve where the so-called diffusion effect took over. It was noted that managers rely on accounts of successes by others in the case of quite novel techniques, but reject innovations when they can base their decision on actual experience. Some comments favour, therefore, a combination of contagion and rationality arguments by bringing up the case of „adaptive emulation“, that is, of imitating the most successful peers. It must be taken into consideration that business discourses focus intently on performance and therefore also imitative behavior requires „rationalization“ on the basis of efficiency. Thus the preoccupation with performance can generate waves of fads and fashions and managing the fads becomes part of the job of managers who must develop certain skills and attitudes towards innovation handling.

##### 5. Diffusion of enterprise conceptions as a political process in a new market

The diffusion perspective allows us to focus on processes and to grasp the collective behaviour aspects inherent also in the adoption of management conceptions. At the same time we must notice that it is preoccupied almost entirely with the viewpoint of how an innovation is accepted whereas neither the origin of the item nor its promoters are put to question. All actors are seen as potential adopters and power as well as social structure enter only in the form of interpersonal influence. As the firm that tries to sell its products among a population of potential customers cannot be seen as a first adopter, thus also the consultants or the top executives bent on launching change cannot be seen as standing on the same side as those who decide in favour of an existing management innovation. They relate rather like suppliers and customers in a market. Therefore, in order to explain the diffusion of management conceptions we cannot look only on the demand side, that is the side of adoption, but we must see that there are two sides involved and draw attention to the supply side and its impact on the diffusion process.

We therefore suggest an alternative perspective for diffusion research that makes use of the market paradigm but understands markets as social structures and political processes embedded in social and institutional/cultural contexts. In this we follow Granovetter (1985) and see economic interactions as centered in social relations and markets as embedded in network relations as well as Fligstein's emphasis on the role of the modern states with capitalist economies in creating the institutional conditions for markets as a process which is politically produced through the actions of powerful actors (Fligstein 1996). Markets and firms are in this view products of a process of social construction. The diffusion of

management conceptions occurs in a market for management knowledge constituted by demand and supply and their effects on each other.

If we view diffusion as a market process in this sense, we have to look not only on the demand side (adoption), but also on the supply side constituted by the promoters and facilitators of innovation and diffusion, especially management consultants, top executives, management gurus, business schools and the business mass media. Together with the appearance of a multitude of management theories and techniques these actors have developed into an explosively growing „management-theory industry“. Between the actors in this industry there exist close relations and interconnections with effects both in commercial fields as well as in the academic world. The items dealt with are recipes for organizational change, strategy shifts and management tools.

In accordance with our market model the diffusion may be prompted by demand or by supply and their reciprocal effects. Demand-side transfers focus on developing solutions, i.e. managers having a problem and looking for solutions. A supply-side approach focuses on formulating questions and building understanding and is usually started by consultants and some large firms making use of social science theories. They use various diffusion strategies to spread the innovation, that is, to create demand. With increasing demand the relevant parts of the theory gets translated into actionable consulting packages and business recipes promulgated by the media. This view of diffusion as a market, therefore, does not exclude the occurrence of fashions or fads, but sees them as at least partially stimulated and activated by the supply side.

The foremost „champions of change“ are the management consultants whose role consists mainly in ushering in new conceptualizations and jargon and thereby acting like fashion setters. In so doing they force top managers to recognize the antiquated nature of the existing strategic orientation, organizational structure or business principles and by delegitimizing them create the need for the new. But consultants do not have the power and the resources to effectuate change. That is where the top executives come in, that is, the new guard signalling change, replacing the old one, and contributing to diffusion through their authority and power within the organization, but also in the intercorporate network. Intercorporate relations and interlocking directorates play a decisive role in the diffusion process as has been shown in recent times with regard to the spread of defense strategies against hostile takeovers, and in other instances of positively promote new management conceptions and practices.

## 6. Culture production through diffusion: theorization and institutionalization

Discourse is an effective means of the production and dissemination of culture. Studies show that the discourses on management conceptions and their rhetorics have the effect of justifying the use of families of related techniques (e.g. scientific management rhetoric). The discourse is disseminated by „management-knowledge entrepreneurs“ or „idea entrepreneurs“ in the management-knowledge market who in this way promote fashions or discredit traditions.

It has been found that the amount of discourse promoting a management technique is positively correlated to the diffusion of this technique among organizations. But apart from instigating „real“ change discourse or rhetorics create also new perceptions of problems and solutions for them, and establish beliefs in the form of a best practice. In fact problems are constructed and standardized and defined as urgent. These perceptions and beliefs in their turn

create demand for new discourse promoting fashionable management techniques for rationally managing particular types of problems, thereby creating a market for constant supply of new and improved techniques.

In the case of ideas to be diffused the degree to which they are made explicit and conceptualized is a precondition for their successful spreading. The more global the definitions are, the wider the item in question will spread. Theorization is a vital point in this respect facilitating spread by enabling it to go beyond interpersonal relations and is used as a necessary tool within the „knowledge industry“ by consultancies, business gurus, business mass media and constitutes their relation with academic social sciences. It ranges from creating buzzwords and inventing a new language to defining problems and to complex model building. Theories, especially those with a science background enjoy high prestige which is conducive to diffusion and their adoption fulfills the wish of managers to appear rational.

Theories predict that similar practices can be adopted by all members of a theoretically defined population with similar effects. Theorization is especially important for the global diffusion of management conceptions and practices. It helps to turn them into worldwide marketable commodities in the new management-knowledge market which is a global one, and in doing so produces new visions and valuations. Western, especially American conceptions spread all over the world and some commentators see this globalization in neoliberal form as an American project and as a universalization of the American experience.

While the spread of rhetorics, the global travels of management gurus, the arrangement of may be impressive, this does not necessarily result in actual application of the innovation. For actual implementation and entrenchment of a management conception, an organizational model or a business strategy not rhetorics, but institutionalization and the legitimacy drawn from it are essential. Legitimacy of adopting an innovation is enhanced not only by the foreseeable benefit as to efficiency or by the number of other previous adopters and their reputation, but also by the extent to which the models are institutionalized, that is, commonly adopted as teaching contents in schools, as beliefs guiding the actions of governments, organizations, or accepted as self-evident in society, has a bearing on diffusion as entrenchment of innovations.

While institutional theory stressed the need for the correspondence of management conceptions with the cultural environment, the latter must be seen as produced and reproduced by interest-driven actions. Organizations rationally and strategically shape culture in ways that favour these organizations' interests. Besides there are also cultural effects of routine interactions within and across networks of business organizations, mass media, the educational system and governmental organizations that shape the production and reproduction of the cultural environment without any direct conspiracy of interests. The interfaces between the culture producing networks sometimes can be used effectively in order to launch strategies benefitting some actors, but it works anyway through the routine interactions as a culture producing process.

## 7. Globalization of enterprise conceptions: cultural diffusion or diverse learning processes

The issue of the diffusion of management conceptions guided by and leading to conceptions of the enterprise involves the transfer of knowledge. Management knowledge is closely interconnected with the way work is organized and coordinated, which in turn is shaped by different societal models of skill formation, labour markets and career systems. Not only

organizational systems and political-institutional environments are different if we move from one society to another, but also the knowledge itself is embedded and can impede cross-national understandings, collaboration and also pose problems with regard to the diffusion of management conceptions and practices.

With regard to transnational diffusion one has to take into account institutional and cultural characteristics and their effect on the diffusion of management conceptions. There may be differences with regard to social and economic regulation, business traditions and standards, but also divergent attitudes towards change and innovation and pressures on managers to show themselves open to change and as movers of transformation. And these contextual characteristics form quite distinct environments for new ideas that require translations in order to be taken up. However, the receiving culture must not be understood as a static unity, but as a constantly produced and reproduced variety of patterns and ideas.

If ideas or practices are transferred from one context into another they require abstraction or theorization on the side of the origin and interpretation and translation for application on the receiving side. New ideas and practices are switched up to various levels of abstraction and „packaged“ for the transfer process which, however, does not make them free of context. Also notions of the enterprise constitute socially embedded knowledge which work mostly in the way of tacit knowledge that cannot be effectively articulated. For implementation they require organizational vehicles for carrying a strategy which are high on context, because they depend on labour market, levels of education, skill formation systems, management authority, cultural dispositions, etc. Organizations do not transfer well in their original packaging. The core idea must be abstracted and then recreated in an application that fits local conditions. Sheer copying is suitable only for techniques with a low organizational context. Adoption results in a fashionable spread of rhetorics and frequently failure in practice, if the conception does not instigate a learning process in which it becomes modified just as well as the local constellation of things themselves. New conceptions when introduced into another setting, change necessarily their significance, but they always also posit a challenge to the local setting of values and beliefs. In this way the imported conceptions are always modified while at the same time the local views and practices change.

This has been most clearly shown in the case of the recurrent exchanges of management conceptions between Japan and America. While originally the Japanese changed their institutions and organizations in order to fit the Western conceptions of the enterprise and of business methods, these emerging patterns became in turn exported as „Japanese management principles“ to the West when due to the perceived threat from Japanese global trade during the 80's American firms and consultants found they should „learn from Japan“. They transferred these so-called quality principles to the American scene not without changing them on a high abstraction level to something that was then far more American than Japanese. This shows that diffusion is usually not a unidirectional transfer, but involves mutual transfers which may be partial and on different levels.

However, while this is true for the management concepts and techniques which are directed towards solving certain problems, it does not necessarily hold for the strategic principles guiding business and centering around the very conception of what the enterprise is supposed to be, of what contribution it makes to society and culture. On this high level of abstraction there are currents that work towards global homogenization by the production of language and beliefs transported in the many incremental innovations propagated by a globally operating knowledge industry.

Thus, diffusion involves learning processes on both sides and mutual contributions instead of irrationally driven homogenization, but this does not imply that innovations in management and organization occur in a culturally specific way or that there are no interests and exertions of power and influence involved. Diffusion of ideas and innovations concerning management, enterprise and business shows a definite tendency, that may be understood as an aspect of globalization.

## 8. Conclusion

Inquiring into processes of change involves problems of both the legitimacy and the efficiency of change. In economic and management literature the latter dominates, whereas in sociology the focus lies on legitimacy, but it is the legitimacy of successive or comparative structured states of order. Institutional differences are responsible for the readiness and swiftness of adoption of innovations. Institutions can act as „barriers to imitation“, but do not do so in all cases. Whereas some authority structures in enterprises or in societies allow for radical innovation, others do so only for incremental innovations.

Introducing the diffusion perspective can help us overcome the holistic view of structure and culture, but its present state as presented by diffusion of innovation research has to be modified in the direction of seeing it as a two-sided market process involving actors' interests, strategies and power as well as conceiving of the diffusion process as a cultural sense-constructing process on both sides. Diffusion means transfer of culture, but at the same time it means producing something new and locally diverse. Thus, the diffusion perspective can lead out of the impasse between global vs. local culture-argumentation. But globalization is at the same time the object and the process of diffusion, it is an innovation to be pushed by certain actors and their interests, by creating beliefs and spreading discourses globally, and thus is also the process of diffusion.

In modern times change has not only been manifold and increasingly swift it is connected also with a positive bias around „modernity“ and change on which a new market and industry thrive. In this situation the consequences of innovations must be evaluated not only with regard to the efficiency outcomes, but also with regard to the effects on the changes brought about in the ways of thinking and living. This is more so as modern economically useful technologies not only determine what knowledge is, but turn knowledge itself into an economically efficient technology leading to a near identification of culture and technology.

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