



Organizational Sociology

Lesson 4

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On the boundaries of organization: Organizations and networks

On the origins of network theory

Sociology: Leopold von Wiese (1924) 'Beziehungslehre' (Relationalism)

- Distances between people and groups
- Focus: Relations between the relations

Social phenomena as configurations of distances

Social sphere as area or arena of social processes (relations) respectively.



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On the origins of network theory

Economics: Alfred Marshall (1890) ‘pure agglomeration model’.

What makes a successful economic region?

- Existence of a local, specialized labor market
- ‘specific non-economic boundary conditions’
- concentrated flow of information and idea

Economic regions as agglomeration of people and information.



On the boundaries of organization: Organizations and networks

On the origins of network theory

Anthropology: Alfred Radcliff-Brown (1940) The metaphor of networks.

Social processes as the “... the result of, and at the same time (...) a means of maintaining a certain structure, a network of relations between persons and collections of persons”.

Networks as social structure, social structure as networks:
“virtually any kind of social entity“ is a network?



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On the origins of network theory

Anthropology: John A. Barnes (1954) Networks as part of the social structure.

Three fields of social interaction (Class and committees in an Norwegian island parish):

- Industrial System (work relations)
- Territorial System (geographical-political system)
- Personal Network (friendship, kinship, neighborhood relations)

Networks as 'Habermasian' life-world. Difference between relations between persons on the one hand and between persons and 'organized groups' on the other (cf. Elizabeth Bott 1957)



On the boundaries of organization: Organizations and networks

Networks and transaction costs

Networks as hybrids: O.E. Williamson (1975) „Markets and Hierarchy“

Why are some transactions conducted on markets and others in hierarchies? Transaction costs.

- Frequency: The more of the same transactions, the higher the potential of reducing transaction costs.
- Insecurity: Insecurity raises transactions costs. Structures that lower insecurity.
- Background investments: Not only transactions cost, but also the maintenance of relations that reduce them do.

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Networks and transaction costs

	Market	Network	Hierarchy
Coordination Means	Prices	Trust	Formal Rules
Coordination Form	Spontaneous	Discourse Mode	Regulation
Actor Relations	Independent	Interdependent	Dependant
Access	Open	Limited	Regulated
Time Frame	Short Term	Mid Term	Long Term
Conflict Resolution	Law	Negotiation	Power



On the boundaries of organization: Organizations and networks

The omnipresence of networks

“The information age” Trilogy: Manuel Castells (1996-1998) *The Rise of the Network Society (1996)*

Economy, State, further ‘Institutions’ and the creation of meaning in general are defined by networked individuals:

Social Movements

Internet

Cybernetic culture (Blogosphere, Net Art, Crowdsourcing)



On the boundaries of organization: Organizations and networks

Two cases

1) Non-Hierarchical Regional Production Networks (in the mechanical engineering region South-West Saxony).

- Vertical corporate networks
- Horizontal corporate networks

- Organizations as networks
- Networks of organizations



On the boundaries of organization: Organizations and networks

Two cases

2) The Diaspora as a Nation's Capital

How to define the boundaries of organization?