

AN ANALYSIS OF TALCOTT PARSONS' MODERN SOCIAL THEORY APPLIED TO ORGANIZATIONS

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Who is Talcott Parsons ?

Talcott Parsons is Professor of Sociology at Harvard University. He has also served as visiting professor of Social Theory at the University of Cambridge (1953-54) and as a Fellow of the Centre for Advanced Study in the Behavioural Science (1957-58). He is a past president of the Eastern Sociology Society and of the American Sociological Association, a fellow of the American Academy of arts and Science and a member of the American Philosophical Society. His Publications include the Structure of Social Action (1937), Essays in The Sociological Theory (1949), a revised ed. (1955), Towards a General Theory of Action (with E.A. shils and Others, 1951), The Social System (1951), Economy and Society (with Smelser, 1956), and Structure and processes in Modern Societies (1960), social structure and personality (1964).

In the introduction to structure and Process in Modern Societies, Parsons observes that one of the most salient features of modern society is'....the prominence in it relatively large scale organization with specialized functions, what rather loosley tend to be called bureaucracies'. 3:2.

It is toward this recent and relatively specific concern of Parsons, i.e., large scale organizations, that this paper will be directed. More specifically it will deal with one of Parsons initial statements of 'A Sociological Approach to a Theory of Organization.'³

The Parsonian intellectual heritage, with respect to organizational theory, has been notably influenced by the works of Max Weber. More reecently, Parsons' interests and writings on organization must pay tribute to the works of Elton Mayo, Roethelisberger and Dickson, the

very pervasive influence of Chester Barnard's work, *The Functions of the Executive*, and Herbert Simon's *Administrative Behaviour*.

In approaching a theory of organizations, Parsons sets forth three aims to be accomplished: 1) a balance between the 'formal analysis' of organizations represented in the work of Weber and Barnard, and the 'informal' organization approach which has been so characteristic of industrial sociology; 2) attempt to analyze the full range of formal organization on an extensive basis; and 3) to relate the study of social organization and analytically to his more general systems analysis.

What is organization but the connection of parts in and for a whole so that each part is at once an end and means.

If a thumbnail abstraction of Parson's systematic theory of social organization could be made the above would be likely a candidate. The adequacy of such a statement will be left to the reader's discretion at the end of the paper. With preliminaries behind, let us turn to a consideration of the Parsonian approach to a theory of organization.

Due to their widespread existence and similarity, Parsons maintains the study of bureaucracies should cut across disciplinary lines. He cogently observes that something is lost when political scientists study government organizations and educationists study educational organizations. He proposes the study of organizations as parts of what sociologists refer to as the social structure.

The Concept Of Organization. The distributing characteristic of an organization vis-a-vis other types of social systems is its primacy of orientation to the attainment of a specific goals. (3:13) For Parsons, "the attainment of a goal is defined as a relation between a system and the relevant parts of the external situation in which it acts or operates", (3:17).

'An organization is a system which, as the attainment of its goal, 'produces' and identifiable something which can be utilized in some way by another system: that is, the output of the organization (e.g., a class of goods or service) is for some other systems, an input. (3:17) The recipient system or organization, in turn 'pays' for the products or services and in doing so according to some type of agreement or contract, fulfills the 'goal' of the initiating organization. That payment enables the initiating organization to maintain its rates of production, etc, "The exchange of output for input at the boundary defined by the attainment of the goal of an organization need not be the only important boundary-exchange of the organization as a system". (3:18) It is,

however, the most important one in terms of defining the primary characteristics of the organization.

The existence of a variety of organizations, noted above, is the result of the division of labour, i.e., specialized output of various organizations in response to the specialized "input" demands of other organizations maintains systemic equilibrium and continuity. Therefore, self-sufficient, primitive units in primitive societies do not have the well-delineated organizations to which Parsons refers. These preceding statements describe the general external reference of organizations.

Internally, those processes which are most significantly related to the success failure of obtaining the specified goal of the organization are given top priority; e.g., decision-making processes in relation to utilization and mobilization of resources toward accomplishing the goal have top priority. "These mechanisms of mobilization constitute what we ordinarily think of as the development of power in a political sense." (3:19)

Just as output for the smaller organization is input for another organization or the total system, so the specified goal of a particular organization is, "from the point of view of the larger system of which it is a differentiated part or sub-system, a specialized or differentiated function", (3:19). For Parsons this is the primary link between the organization and the larger system of which it is a part and it also provides a basis for the classification of types of organizations. (3:19) From this relationship Parsons takes the step of departure to consider the organization as a social system. As the systemic approach is familiar to the reader it is worthy of note in passing to repeat that for Parsons this requires that: the organization is treated as a system with essential systemic properties: a functionally differentiated sub-system of a larger system with concomitant systemic goals; and, is characterized by the type of situation in which it operates, including the relationship to the other specialized sub-systems of the larger system, i.e., society, of which it is part.

Organizations can be analyzed from two points of view: "cultural-institutional" or "group" or "role". The latter approach "takes suborganizations and the roles of individuals participating in the functioning of the organization as the point of departure." (3:20) Parsons discusses organizations within both frameworks but concentrates on the former approach. Therein such an analysis must include an outline of the system of values which define the organizations' functions and the

“main institutional patterns which spell out these values in the more concrete functional context of goal-attainment itself, adaptation to the organizations” situations, and integration of the system.” (3:20)

The Value System

The main analytical point of reference is the value system. It defines the basic orientation of the system to the situation in which it operates as well as regulating and guiding the behaviour of the individuals involved. In reference to the Parsonian conceptualization of an organization, the value system, in turn is a sub-value system of the larger value system orientation of the overall or superordinate system. Therefore, the organizational value system must basically accept and conform to the general value orientation of the superordinate system.

The most important aspect of the organizational value system... is the evaluative legitimation of its place or “role” in the superordinate system. (3:20) Certain justification for its goals and role must be explicitly stated in relationship to the goals and values of the superordinate system. Also, due to the fact that organizations are defined by primacy of a specific goal, this primary must be justified over and above other goals and values of the constituent members of the organization. For example, in a business firm in American society the predominant value is ‘economic rationality’ and therefore, “devotion of the organization (and hence the resources it controls) to production is legitimized as is the maintenance of the primacy of this goals over other functional interest which may arise the organization.’ (31:21) This is what Barnard calls “organization purpose.”)

It is important to distinguish primacy of goals here. Parsons notice out that monetary return and profit making are primary measures of a successful business organization in American society and thus are part of the values and goal structure of that organization. They are not, or rather cannot be, the primary goal of the business due to the fact that profit-making, per se, is not a function for an out-put which is in behalf of the society as a system.

ADAPTIVE MECHANISMS: The Mobilization Of Fluid Resources. All organizations utilize that factors of production of economic theory, i.e., land, labour, capital, and (organization). The first, land, does not warrant comparable extended treatment with the latter three. Most organizations, as established on going concerns, have control of or ownership of land, physical plant facilities, etc.

The two most fluid factors in an economic sense are labour and capital. Most personal service must be contracted for, via the labour market, between the management of the incumbent of the service position. It is a matter of contractual vis-a-vis as-descriptive relationship. There are many types of contracting arrangements but the labour market never approaches the 'perfect market' relationship due to the services rendered - remuneration' relationship. The relationship varies with the type of management organization and services rendered. 'Here the essential point is that which the differentiation of functionally specified organizations from the matrix of diffuse social groupings such organizations become increasingly dependent on explicit contracts of employment for their human services. (3:24)

Parsons differentiates between the manufacturing industry and personal services relationship along the dimension of customer contract. In the former the organization product need never meet the customer unless it is through a representative. Where the product is a personal service the customer-producer relationship is different as neither party belongs to an organization. He lists three ways in which the better type can be organized: 1) where the doctor and patient constitute a small, solidary collectivity of their own and a sliding scale is the basis for remuneration; 2) Where the customer pays on a strict value of-service basis and the price is determined by commercial competition, e.g., barbering, 3) Where the recipient member becomes an operative member of the service organization, e.g., school, university, hospital.

Capital resources for most organizations are met by means of financing. Adequate financing is thus always a vital problem for all organizations from churches to industries. The means obtaining finances are variable. Most are based on the returns received for providing either a commodity or a service. This also varies, e.g., business firms hope that sales will eventually finance operations but this is usually only in the long run. Therefore, investment of capital is an extremely important mechanism in our society.

Two other important finance mechanisms are taxation and voluntary contributions. Organizations may be financed by these if a service is important and needed but a private enterprise cannot handle it on a large scale basis and make it a paying proposition. Likewise, if services by private enterprise might jeopardize public freedom or interest, taxation may finance government operation of that service. An example of the former is medical services for lower income groups; for the latter, a public rather privately contracted air force or army. The finance

mechanism of the American Red Cross is based on voluntary contributions.

Financing of organizations usually has a 'public interest' and thereby involves political power. Parsons notes that because the organization is a goal directed social system, 'every subgoal within the society must to some degree be integrated with the goal structure of the society as a whole and it is with this social goal-structure that political institutions are above all concerned.' (3:26-27).

The Concept of "Organization"

The fourth resource, "organization" is a term adopted from Alfred Marshall. In this manner it 'refers to the function of combining the factors of production in such ways as to facilitate the effective attainment of the organization's goal.. it concerns readjustment in the patterns of organization itself..significant in long range perspective, and it is involved in processes of structural change in the organization". (3:27) This is what Schumpeter refers to as "entrepreneurship" in business organizations although for Parsons it is an essential factor in all organizational functioning. It plays a central part in the founding of any organization as well as on-going change, adjustment, etc. Significant change in the organization demands the "input" of this factor.

The Operative Code: Mechanisms of Implementation

One of the most demanding problems of the external relations of an organization is the mobilization of its fluid resources in order to maximise the goal attainment process. Parsons delineates two facts of this process: 1) "...the set of relations to the external situation centering around the "disposal" of the "products" of the organization's activities." (3:28) This is referred to as marketing in the business world but, again in the Parsonian framework, involves the distribution of products whether they are sold or not : e.g., products of military organizations move through the executive and legislative branches of the government and then to the public and yet these products are not "sold" to the public. 2) "...The internal mechanisms of the mobilization of resources for the implication of the goal." (3:29) Both of the above facts are governed by the "operative code" of the organization. This code is based on the organizational value system in respect to the "claims of the organization to the resources it needs and hence the settlement of the terms on which they would be available to it." (3:29) Consequently,

carrying these out requires authorization and decision making. Parsons discusses three different types of decision making; policy, allocative, and coordinative decisions, (Barnard refers to the first two decisions as related to the problem of "effectiveness" and to the last as a problem of "efficiency").

Policy Decision

This is the most important set of decisions concerning how to obtain the desired goal. These decisions commit the Organization as a whole to the primary functions of goal attainment. They involve decisions in relation to: 1) the nature and quality standards of the product, 2) changes in operations, 3) relationship between product and consumer, and 4) "organization wide problems of internal operation." (3:30) There are different levels of policy decision, e.g., to form or to liquidate, to merge, to change, products or operations, etc. The order of importance is directly related to the time span of significance to the organization: e.g., long range planning involves serious consideration and commitment and thus is made at the top echelon. "An important task for the theory of organization is a systematic classification of the levels of generality of decision." (3:30)

Because policy decisions commit an organization as a whole they involve a serious degree of responsibility. Therefore, authorization is extremely important in policy making and is significantly interrelated with the value system and the question of legitimacy. It is not only a question of what the decisions are, but more so of "right" to make them. Due to their complexity, policy decisions may be allocated in a hierarchy of responsibility with a board of directors at the top succeeded by a management level, production level and distribution level, etc.

Allocative Decisions

These concern implementations and decisions regarding the utilization of available resources. Whereas the acquisition of resources and personnel are policy decision, utilization of those resources requires decision by "...Some allocative organization by which resources are distributed within the organization and responsibility for their utilization in the various necessary operative tasks is assigned" (3:32). There are two aspects to this delegation of authority: 1) personnel - the allocation of responsibility, i.e., Barnard's "decision of who should decide". "Allocation of responsibility is definition of the functions of humanly organized subsystems of personnel." (3:33); and 2) financial distribution of fluid resources for the acquisition of physical facilities and

personnel. "Budget allocation is giving these suborganization access to the necessary means of carrying out their assignment." (3:33).

Coordinative Decisions

These are operative decisions concerned with the integration of the organization as a system. Money and other physical resources do not have to be motivated towards performance in order to achieve adequate performance for realization of organizational goals, personnel. However, do have to be so "motivated" "what is coordination from the point of view of the operation of the organization is "cooperation" from the point of view of the personnel." (3:34) Management must be aware and be able to control the consequences of the power of labour in a free labour market by coordinating the labour force focus on organization goals. Three ways of accomplishing this task include; coercion by means of penalties, inducement through rewards, and therapy.

Integrative Measures: Institutional Factors in the Structure of Organization's

Under this general rubric Parsons deals with "...the mechanism by which the organization is integrated with as distinguished from "adapted to" other organization and other types collectivity in the total social system." (3:35).

The problem is not one of pragmatic instrumentality but rather concerns "the institutional patters under which the organization operates with those of other organizations and social units, as related to the integrative exigencies of the society as a whole (or of subsystems wider than the organization in question.)" (3:36) For example, do all firms in a similar industry fire and hire on the same basis if one firm initiates a certain criteria or process with all the others be allowed to follow suit or will there be on-going conflict).

The salient integrative problems has to do with personnel and their commitment to organizational policy. Most individuals have multiple value commitments and role positions. Thus it is necessary to learn the loyalties of organization personnel, the bases of those loyalties, and the relationship of same loyalties to the larger specturm of loyalties and role expectations. Again Parsons emphasizes the relationship of values to these loyalties and notes values other than those of the organization are involved, i.e., those of a higher level value system. (Note: the exceptional case where a totalitarian state enforces the calim to absolute loyalty).

Parsons lists three primary complexes of integrative rules which are hierarchically arranged in a similar manner as the preceding decision types.

This is the main integrative institution in achievement oriented societies. For organizations this involves the contract of employment which includes explicit terms and implicit understanding, i.e., Durkheim's "non-contractual elements." If questioned or dubious performance in relation to expected obligations occurs, the problem of loyalty rises. The conflict of loyalties may involve the individual's values or his other role obligations, i.e. family commitments. These conflicts are in part regulated by the contractual agreement. In order to regulate conflict via patterns which are applicable to and cognizant of the organization in question as well as the other role complexes of the individual involved, the contractual agreement cannot be defined in terms of the prerogative of one organization. Parsons observes; "clearly on the inter - organization level these contractual patterns cannot be left to the discretion of a particular organization but must be institutionalized on a wider basis." (3:38).

Institutionalization of Authority

This is quite similar, as an organizational function making on the inter-organizational level. "The institutionalization of authority defines, on a basis broader than of the rules and practices of the organization itself, the ways and their limits in which any given actor, individual or collective can in a given status in the organization bind others by his decisions and, conversely, the ways and limits in which his action can be bound by the decision of others (3:39) For example, in a free-contract oriented society, the individual can quit if organization pressure are too demanding. This serves as a balance of power against the authority of the organization. This right is obviously limited in military organizations. Landsberger suggests that it is limited where the labour market is over-crowded i.e., where a surplus of labour exists. (1)

The above two institutions, "contract" and "institutionalization of authority", (a... define the obligations specific to the role in the particular organization which come into force only so far as the incumbent accepts a relation to the organization." (3:40)

Universalistic Definitions of Conduct

This third set of rules or norms is universally defined for all sectors of society. These definitions include; prohibitions of outright fraud the use of force in human relations, and personal freedom. A person is

prohibited, regardless of the voluntary nature of a contract, to sell himself into slavery. "The essential point here is that the conduct of the affairs of an organization must in general conform with the norms of 'good conduct' as recognized and institutionalized in the society... no one may legitimately contract to violate these norms, nor may authority be used to coerce people into their violation." (3:40-41)

The Problem of Power

Organizations in our complex, heterogeneous society have become the principle mechanism "to achieve goals beyond the reach of the individual and under conditions which provide a relative maximization of effectiveness." (3:41) The salient feature of organization" is the mobilization of power for the attainment of the goals of the organization." (3:41) While values legitimize the goals, they can only lead affectivity realized through the utilization of power.

Power, then, is the generalized capacity to mobilize resources in the interest of attainment of a system goal. Its creation and use are functional requirements and it is caught up in a special set of mechanisms. These mechanisms, as sub-systematic components of a society, form what Parsons calls the 'ploity', or the system oriented to the generation and allocation of power.

"Power exercised in and by an organization is generated both outside and within the organization, Every organization...is part of the polity and a generator of power, but is also recipient of the power generated at higher echelons in the polity". (3:42) The generation of power at any level is contingent on four fundamental pre-requisites 1) '...the institutionalization of a value system which legitimizes both the goal of the organization and the principal patterns by which it functions in the attainment of that goal'. (8:45) This condition is usually operationalized through the privilege and practice of incorporation and thus links the government with the legal system in a positive manner. 2... the regulation of the organizations procurement and decision-making processes through adherence to universalistic rules and to such institutions as authority and contract." (3:43) This is expedited via the legal regulations on organization practices and the organization's own informal reputation of ethical integrity. 3) "... the command of the more detailed and day-to-day support of the persons whose cooperation is needed." (3:43) 4) "... the command of necessary facilities e.g. finances. Conditions three and four are expedited by "...the operative mechanisms of procurement of resources and the operative code previously described." (3:43)

Although the central operative focus of organizations is the acquisition and allocation of power, organizations, as social systems are dependently interrelated to other systemic requirements, e.g., value orientation, economic resources (financing) and the 'command of loyalties' or efficiency. Power directs these exigencies but their availability is even more contingent upon the inter-play of organizational activities with the milieu in which it operates and functions, e.g., the production and marketing of a product and the informal organization of personnel loyalties in relation to the situation, form quite essential conditions for the function of the organization.

Therefore, Parsons' scheme follows the following formal symmetry:

The value system of the organization is treated as defining and legitimizing its goal. Each of the other three aspects, the adaptive mechanisms and those mechanisms of operative goal - attainment and the integration of the organization, is regulated by sub-values governing each of these three aspects of organizational functioning. Each primary type of resource input is regulated by a type of contractual pattern, e.g., employment and investment. Each part of the operative code is governed in turn by an aspect of authority, and finally each context of institutionalization is a way of defining, for those participating, the extent of "loyalty" owing to the organization as compared with other commitments. (3:44)

Classification of Types of Organization

Parsons classifies organizations in relation to the type of goal or function they seek and/or serve in relation to society as a system. Thus he uses the functional types of a social system; adaptive, implementive, integrative and pattern, maintenance goals.

Organizations Oriented to Economic Production

Production here means "adding value to the system". All organizations contribute something. But, in the sense above, Parsons is referring to the primary of economic production.

Organization Related to Political Goals

Those organization which are oriented toward the realization of value goals and the development and distribution of power within a society. This would always include the government but also would include, in our society, banking system (credit power) and the corporate aspect of normal organization (as considered in its political aspect) (2), (3).

Integrative Organizations

These contribute to efficiency not effectiveness. They work toward the adjustment of conflicts and towards motivating the actualization of institutionalized expectations, e.g., the courts, the legal profession, political parties, interest groups, etc. Parsons also includes herein those organizations directed toward social control in a more limited sense; e.g., hospitals, which he classifies as primarily integrative. (2), (3).

Pattern Maintenance Organizations

These organizations fulfill cultural educational and expressive functions. Churches, schools, research organizations, the arts, and in many respects the nuclear family. (2), (3).

These classifications can be further broken down into subcategories, e.g., economic organization can be broken down by specialization: adaptive function; e.g., financing, and goal attainment; e.g., production and marketing. In all cases, "a primary determinant of the type of organization is the kind of boundary - interchange operating between the social system in which the organization is primarily anchored and the contiguous subsystem." (3:36).

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