

Hierarchies, Markets and Networks in the Talk Society

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As a part of his work, Bo Dahlbom presents to us the idea of the Talk Society, building on personal communication, networking and IT-use. In this essay, we will discuss three forms of organizational governance - hierarchy, market and network - in the light of the Talk Society idea.

The old and the new are meeting

The industrial society is built around physical building blocks - artifacts. It consists of an infrastructure of roads, railways, airports, power lines and water pipes. Most of the activities in this society are taking place in factories. There are factories for artifacts, health care, living and learning - called plant, hospital, apartment block and school. The organization of life in general and work in special follows the rationale of efficiency and effectiveness, developed by scientists and engineers.

This is the image of our current society given to us by Bo Dahlbom in several of his talks and writings, not the least in his forthcoming book "The Talk Society". In the following, he points out that farmers are a species close to being extinguished and that industrial workers are about to face the same fate. This claim can, in fact, be supported by empirical data: Farming occupies 3% of our population and industrial production 18%.

As an alternative, he proposes to us the idea of the Talk Society, a society where the assembly and distribution of atoms occupies a vast minority of the population and the rest of us are concerned with TALK. In the Talk Society, organizing and working takes place on a market where people meet and discuss, develop and exchange ideas and knowledge, offer and purchase services. The use of information technology allows us to be present on this market without limitations, to participate in the activities taking place there anywhere, anytime and on-line. In other words, people become actors on a knowledge market, entrepreneurs and knowledge-nomads, wandering between different organizations.

Consider the idea of a society based on personal interaction and networking as the primary activity of professional and social life, where communication takes place within an unlimited information space and services and transactions are almost inseparable. Being concerned with organization theory and organizational change, we can raise several questions. How does the Talk Society fit with our existing forms of organizational governance and can the concepts be merged? Is the Talk Society prevented by the organizational legacies of the industrial society? How can we participate in an exchange if the transaction and the good become virtually inseparable?



Figure1. The painting “Children's games” by Pieter Breughel (the elder) is regularly used by Bo Dahlbom to illustrate the concept of Talk Society.

The painting, part of the Vienna Art Museum collection, is referred to as the “encyclopaedia of Flemish children's games”. It represents about 84 games some of them are practiced until present days. There is also an assumption that the painting is part of a four-piece cycle representing the four seasons.

Forms of organizational governance

The *raison d'être* of organizations, i.e. the justification of their existence, has been a widely discussed topic in organizational theory and different schools have proposed different answers. From a national economics point of view, following a neo-institutional argumentation, we could consider an organization as the attempt of substituting market mechanisms in order to overcome market limitations and reduce transaction costs. Taking a social systems perspective, we would start with investigating the organizational context and derive the existence of the organization from there. A Weberian approach would imply the ability to exercise authority, which becomes necessary after the process of *Entzauberung*, which has replaced mysticism with science. A business-oriented approach would suggest the aggregation of wealth for the stakeholders, and the community structure approach would propose the manner in which organizations emerge as the products of their host community as the starting point.

In the same way as we can find different answers to the question why organizations exist, the issue of organizational governance is subject to disputes. Since the dawn of mankind, we have gathered in different ways with stronger or looser bonds, ranging from the clan with its high entry barriers and conceptual closure, over the loose coupling of Durkheim's *solidarité mécanique* and the hierarchy, to the process-based and networked organizations of our time.

Three of the most prominent forms of organizational governance are hierarchy, market and network, each of them building on certain implications about task distribution, coordination mechanisms and the way of organizing transactions.

THE HIERARCHY - BEDROCK THE INDUSTRIAL SOCIETY

The bedrock of the industrial-age company is a formal organization, characterized by a hierarchical structure and clearly defined tasks and distribution of work. The hierarchical, or bureaucratic organization emerged as the result of the large-scale production of standardized products in the late 19th century and has been the predominant form of organizational governance ever since. Having its background in industrial production, it found its way into administrative organizations soon after its formalization as “Administrative Science”.

Its way of organizing, characterized by steep hierarchies, unity of command, and strict functional departmentalization reduces the individual's level of empowerment and puts a clear focus on the efficient conduct of decomposed activities, which result from a top-down diffusion of taken decisions. The most prominent critique against hierarchical organizational governance is the lack of responsiveness to changing environmental conditions: stability and predictability are promoted at the expense of flexibility and individuality.

In the hierarchy, communications takes following a strict up-and-down structure along predefined lines of authority. Even though later modifications to the concept, such as Fayol's bridge, have introduced direct communication between organizational members across functional boundaries, the concept of Talk as the basis for communication and cooperation is not considered relevant. In fact, most administrative scientists would have considered as a factor contributing to insubordination and inefficiency.

THE MARKET - ACTORS AND TRANSACTIONS

In theory, the market is the simplest and also cheapest way of organizing transactions (Cose 1937; Williamson 1975). The market price is based on supply and demand and reflects all the information that is necessary to satisfy the economic agents on the marketplace. All information is owned by these agents, and no communication is needed except information about prices. The availability and communication of the price for a certain good, or service, is creating the market equilibrium, due to the self-regulatory mechanisms that are embedded in the market system.

The perfect requires four requirements to be satisfied. (1) All economic actors are striving for maximizing their profit or benefits; (2) the market is fully transparent, i.e. that all actors have access to complete information; (3) homogeneity, i.e. that personal, spatial and timely preferences do not exist; and (4) that all actors react without delay on price changes or other market disturbances and the equilibrium is instantly re-established.

In the market concept as we consider it, the role of Talk is highly limited. In fact, Talk is considered as a factor contributing to increased transaction costs, i.e. it blurs the core information. However, the impact of information technology on market structure has, as we will be showing, the ability to modify this perspective.

THE NETWORK

Today, the network has become a popular form of organizational governance and has found a large number of promoters in academia and practice. In the same way as once

the matrix-organization, it is seen as a way to overcome the limitations of the hierarchical organization in terms of flexibility and adaptability.

In the network organization, the focus is moved towards the achievement of results, and means to achieve them are temporarily assembled teams, the parallel conduct of multiple tasks and cross-functional cooperation.

Charles Savage (1996) has defined a set of five conceptual principles, or guidelines, that he declares as the most important characteristics of what he calls the Early Knowledge Era. His principles are (1) peer-to-peer networking, (2) the integrative process, (3) work as a dialogue, (4) human time and timing, and (5) virtual task-focusing teams.

Knights, Murray and Willmott (1993) observed that networks often emerge on an ad hoc basis, rather than being the result of a deliberate planning and design process. Their observation could also indicate, that networks can be based on opportunistic behavior, which would allow networks to develop on the basis of a market system.

Organizational governance in the Talk Society

Considering the three forms of organizational governance we have described above and Bo Dahlbom's idea of the Talk Society, we can ask ourselves how these concepts fit together. Is it possible to maintain a hierarchical organization? Is the market able to filter talk for extracting the relevant information, or is Talk becoming part of the transaction itself? Is the network, with its temporary patterns and shapes, a fertile soil for Talk?

In the following, we will apply the principles of the Talk Society on the hierarchy, the market and the network and discuss the feasibility and possible changes in our way to perceive organizational governance.

THE TALKING HIERARCHY

As in any other organization, communication plays an important role also in the hierarchy. In the traditional approach, Talk in the hierarchy is considered as being synonymous to communication. It becomes thus an activity that takes place along formalized channels. The hierarchy is in fact characterized (see above) as being a solution to reduce distortions arising from unpredictable events, by means of formalization. While the discussion about networks and markets can be conceptualized without explicit reference to the question of organizational structural variables, this issues is inseparable in any discussion regarding Talk and thus, in a traditional matter, communication channels in hierarchical organizations.

The considerations of communication in hierarchies, as described by e.g. Graicunas, Mackenzie or Churchman (Gulick and Urwick, 1937; Mackenzie 1978), are consequently primarily discussions about finding the optimum organizational shape in terms of managerial span of control and organizational depth. Also March and Simon (1958) discuss communication in the organization primarily from an efficiency point of view. They also claim that most of the coordination in organizations can be preprogrammed. In this case the organization has a set of stimuli and responses a given stimulus invokes a response that executes the correct action. Considering these considerations of communication in the hierarchical organization, it is obviously difficult to make it fit together with the Talk Society concept.

Considering Talk, instead of generic communication, the management of information channels in organization settings is more complex. Talk is a broader concept than

communication and implies a more open range of interaction. In the Talk society, IT is also playing an important role in enlarging this range. Standardization and limitations of Talk by introducing formalized channels, as a way of achieving control, is also virtually impossible. The Talk Society is going in parallel, at least from an organizational point of view, with what normally is referred to as the Knowledge Society.

The traditional hierarchical structure has been deployed to support the production of goods in the industrial era. Accordingly, standardization and formalization have been driving forces of organizational deployment. In the era of the Talk Society, knowledge production and diffusion are the guiding principles of organization design and implementation. Accordingly, new organizational forms are emerging: Organizational network, networks of organizations and virtual forms are examples of organizations we might find in the Talk Society era.

These organizational forms are taking the place of what in the industrial era was the hierarchy. They are supporting and facilitating, rather than organizing, the business of Talking. Talk is thus becoming the standardized frame through which also communication in its traditional meaning takes place. As a consequence, the organization is becoming more a way of supporting knowledge related activities, instead of being a skeleton aiming at creating and sustaining a specific organizational shape.

Companies like Benetton, Gantt and Dell are organized upon the basis of that paradigm. They are mainly using the infrastructure, in terms of communication channels and organization forms, developed by the industrial society to support their activities. They are mainly managing the collected information about color trends, fashion design and computer components in order to assemble a final product that is satisfying the customers' requirements. The primary activity of these companies is talking, to customers, competitors, trend makers. In fact, they are not concerned with creating organizations, but with managing the use of knowledge, while employing the various organizational forms that best suite their needs at a certain time.

THE TALK MARKET

As Dahlbom is describing to us, the wide diffusion of IT is supporting the development of Talk as a primary means of work activities in the contemporary society. This is leading us to the concept of Talk Society, as he has described the social meta-structure he is envisioning. What is the effect of the diffusion of the Talk Society in the market context? To answer this question is neither easy nor simple. We will use Dahlbom ideas to understand the passage from the industrial society market to the Talk Society market.

As we have described looking at the traditional market organization, the price is summarizing all the information being necessary to inform buyers and sellers about the quality of the goods. Once the information is communicated, an automatic system is moving the price to the equilibrium, where the involved interests are balanced. If the complexity of the market or the behavior of economic agents are jeopardizing the exchange structure, others forms to govern the exchange are implemented. Following the neo-institutional approach, these forms are organizations and clans.

Sitting at the lounge in the airport with a palm pilot and may mobile phone, we can buy whatever we want in a fraction of a second. We pay our goods with a credit card or with electronic credits. In the case of buying digital goods, they can be shipped to us instantly through the same channel that has been used for initializing the transaction.

At a first glance, this situation seems very similar to one that might occur within the traditional market framework. However, the important difference is the use of information technology as the main communication channel.

Accordingly, the use of IT makes it easier to communicate information in space and time. As a consequence, we spend more time talking and transferring information among physical and virtual agents. We are in the era of Dahlbom's Talk Society.

We are spending more and more time in exchanging information, Talking and travelling. The communication channel provided by IT is reshaping our habits, behavior and ways of interacting. The "IT-revolution" is leading us to a world where the talk is becoming the main activity also in the business world. What is thus the consequence this new world has on the market structure?

In the industrial society meaning, market is the physical place, the ancient square, where goods are exchanged following the simple process we have described. On the other hand, we know that not all the goods are available in every place at every moment. This leads the perfect system, as described by economists, to failures that are fixed by changing the organization structure that is supporting the exchange process.

In the Talk Society the market is not a physical place or square in the center of town. It is the information space where people are communicating. It is a space of talking, chatting, informing and negotiating. People are communicating to find information about goods and services. Information about prices is neither the only, nor the most important information to be exchanged. Information about the goods, or services, is becoming more important. The range is global, the space is global, and thus communication as coordination mechanism becomes vital. We don't have all the information we need, but by communicating we are able to find it.

In this context, we define Talking as the possible range of exchange. Services, information brokerage, and intermediaries are exponentially increasing the range of communication. They are working as collectors and also providers of information. The link between actors is defined by Talk, not a price equilibrium. Consequently, the network of Talk between the actors defines the structure of the market. IT is supporting and enhancing this process. It is cutting the spatial cost and time barriers. IT and Talk are thus defining the market space of the communication society. The channel and the content of the communications are thus re-shaping the space where the economic exchange is taking place.

The passage from the physical place to the communication space has not only a considerable impact on the structure and governance of transactions, but also on the definition of the content. In the traditional market, as described by Akerloff (1970), the communication of information between buyer and seller is one of the processes that are leading the exchanging structure to fail in allocating the resources efficiently.

Let us consider another example. Being interested in buying a second hand good we need information about it, but in general buyers and sellers do not have the same information about the good's quality. We are facing a market disturbance due to information inequality. When buying, for example, a second hand computer, information about the status is essential for being able to act as an informed market actor. Acquiring additional information consumes additional time and effort and increases transaction cost, even though it is essential for initializing the negotiation and contracting phase of the exchange. In addition, the information I am gathering is only valid for the specific good and finding more general information about all possible goods and their substitutes that might satisfy my requirements adds further costs.

As an alternative, we might consider the same scenario taking place in the market space of the Talk Society. In this case, the process of retrieving and evaluating information is not limited to a given object, but can take place independent from physical location and time. Instead of spending time on finding facts about a specific second hand computer, it is possible to look for computers in a certain price range, including second hand and new ones. In the information space, transaction costs are low and consequently it is not necessary to limit the information retrieval process to a specific good. It is the customers interest in satisfying a need that is the starting point, rather than the availability of a specific good on the physical market place.

The process taking place in the Talk society context is considerably different from the one taking place on the physical market. Instead of focusing on the properties of a specific good and the process of managing the exchange, the main emphasis in the Talk Society setting is the exchange of information and knowledge, facilitated and supported by the use of information technology. The separation of information and exchange is not as clear as on the physical market, especially when it comes to electronic goods or services. In this case, the object of the transaction can become part of the transaction itself, thus making object and transaction inseparable. In other words, the process can not easily be separated from its outcome and becomes the core of the market.

Following Dahlbom's ideas, we will spend more and more time exchanging information: Talking. Considering the inseparability of information, exchange and object, the concept holds true. The share of time being spent for participating in market space activities will increase, but also we will see new forms of activities and professions emerging: Information providers, information brokers and intermediaries, virtual education centers and auctions.

A NETWORK OF TALK

Very often, networking and knowledge work are considered as two almost inseparable concepts for today's and tomorrow's work life. In his discussion of Foucault and Marxism, M. Poster (1984) claims that new forms of social interaction based on electronic communications devices are about to replace older types of social relations. He refers to this change as the transition from Mode of production to Mode of Information.

Also other authors have noted that the emergence of networks often comes along with the increasing amount of intangible assets and knowledge work. In their theoretical framework for a case study of emerging networks between insurance companies and their distributors, Knights, Murray and Willmott (1993) argue that resource allocation in networks is governed through mutual supportive actions, rather than market exchange mechanisms or administrative activities.

This argument describes the core of the network in the Talk Society. It is not characterized by formal relationships or primarily economic interest, but by individuals participating in reciprocal exchange of knowledge, experience and other, to a large extent, intangible assets.

Another issue being regularly discussed is the aspect of network design. It is often implicitly taken for granted that networks are the result of a deliberate design process. Considering the relation between knowledge work - which is regularly associated with teamwork - and networks, and also assuming that organizations in general strive for reducing uncertainty, it is obviously easy to draw the conclusion that networks must be purposefully designed in order to deliver their full value.

But, Talk is not a replacement for formalized command and control channels. Instead, it allows bringing together the concepts of market and network, thus allowing the creation of networks in the market space. These market-based networks are considerably different from market relations according to the traditional paradigm, as well as from the designed networks we often see today.

Designed networks are often barely more than adaptations of Porter's value chain and value systems. The network in the Talk Society is a network of networks, without clearly identifiable boundaries. Instead of being built around the flow of goods along a chain where several transformation activities take place, knowledge is the backbone of the development of network relationships and information technology facilitating multiple forms of communication in the network, rather than uniforming and aligning it.

As a result of IT-use, knowledge sharing through open communication channels not only becomes possible, but a natural part of everyday work. Instead of separating work within an organizational structure from communication and knowledge exchange, organizational constraints are removed. Talk, with regard to communication nodes that are involved is not predefined and accordingly, communication nodes and content develop as situated action.

This form of organizing is frequently found in research organizations and other knowledge intensive environments. The primary use of IT is to maintain and develop contact, to participate in activities in various networks and communities. It does not really matter to which organization people belong, if they are researchers or practitioners, located in Göteborg or Hongkong. What matters is the mutual interest in sharing knowledge and the relationship is defined through the Talking that takes place in the network.

This form of interacting can not exist without information technology. In fact, IT is the glue that keeps the network together. Looking at our physical environment, the characteristics of work have not really changed notably. We are working in the same corridors, buildings and cities as in the industrial era. The significant difference is that we are not limited to our physical environment anymore. The clusters of communication that are developing are not related to physical places, but take place in a communication space where networks can develop and vanish without leaving physical traces.

Concluding remarks

The Talk Society is fuzzy and poorly described in terms of formal research. Even though several attempts have been made to address the issue of Talk, primarily from an organizational and social structure perspective, we do not have a clear image of where the Talk Society is leading us. Nevertheless, we can already observe a lot of changes in society that are related to the mechanisms that Dahlbom describes to us.

We have only taken the first steps towards it, but virtual organizations, on-line communities, and information agents such as BargainFinder allow us a first glance at the Talk Society. They all have three common characteristics: They are focusing on communication, they are depending on information technology for their existence and they are independent from time and space. These are, after all, also the major characteristics of the Talk Society.

Welcome to the Talk Society!

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