

For a Sociology of Worth

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Parsons' Pact

Arguably, the founding moment of the field of economic sociology took place more than a half-century ago at Harvard, where Talcott Parsons was developing his grand designs for sociology. Parsons' ambitions were imperial, but there was one field that Parsons maneuvered around instead of claiming outright. That field was hegemonic in his time and is considerably hegemonic still – the discipline of economics. Parsons, therefore, made overt signals to his colleagues in the Economics Department at Harvard alerting them to his ambitious plans and assuring them that he had no designs on their terrain.¹ Basically, Parsons made a pact: in my gloss – you, economists, study value; we, the sociologists, will study values. You will have claim on the economy, we will stake our claim on the social relations in which economies are embedded.

What have been the effects of Parsons' Pact? First, by limiting its range, this jurisdictional division of the social sciences placed constraints on sociology. But those constraints were enabling constraints: by delimiting a legitimate object of study – society, though not the economy – it ensured that the discipline would flourish in the great postwar expansion of the social sciences.

Parsons' Pact also had another effect, for it specifically established the conditions for economic sociology. Recall the terms: economists study value, economic sociologists study values; they claim the economy, we claim the social relations in which economies are embedded.

I argue that the Parsons' Pact is still operative today because the terms of the treaty continue to structure much of the field of economic sociology. And I also argue that, although the treaty has been fruitful, it is now time to reconsider its terms. We did not sign it, and we should no longer be bound by its terms. To realize the actual potential of economic sociology will require that we do our work under new terms.

¹ See Charles Camic, "The Making of a Method: A Historical Reinterpretation of the Early Parsons," *American Sociological Review*, 1987, 52(4):421-39.

Economy/Embedded Social Relations

Take first the economy/society divide: economic relations on one side, embedded social relations on the other. One can scarcely think of a more fruitful concept for economic sociology than that of embeddedness – reintroduced from Polanyi by Granovetter, and elaborated and developed by him and many others. At its core is the Durkheimian notion of the precontractual basis of contract, and with it the idea that instead of, or alongside, calculation we should be examining relations of trust or mistrust. These are valuable insights and even economists are beginning to cite economic sociologists on these concepts. But we would simply be spinning our wheels if we leave the analysis of markets and of economic relations to economists while focusing our efforts on the social relations in which they are embedded. We should break out of Parsons' Pact. One of the proofs that we can do so is found in the work of Harrison White. White has basically turned the tables on the terms of the pact. Markets, he argues, are not simply embedded in social relations, they are social relations. Instead of accepting the economists' conception of markets, he has developed a sociological theory of markets.²

Value/Values

Let's turn next to the other pair of terms in the jurisdictional divide: value on the economists' side, values on the sociological side. On this issue, the formative insight for economic sociology came from the organizational ecologists. Whereas economists look at how firms differ in terms of the efficiency in allocation of resources, the organizational ecologists wondered how firms (or organizations more generally) differed in terms of their access to resources. One of their important conclusions was that legitimation matters. They made legitimacy a variable, and found that firms (or organizations more generally) that were more legitimate have better access to resources.

The sociological institutionalists (Meyer, DiMaggio, Powell and others) elaborated and developed these ideas. Like the embeddedness opposition of calculation versus trust, they worked with the opposition efficiency versus legitimacy. An economic system based on value is embedded in institutions, cultural and legal systems based on values and norms. This school of sociological institutionalism has produced an impressive body of work. We can and should do more work along these lines; but we should be clear that so long as we accept this value/values dichotomy we're basically running on the Parsonsian track.

² Harrison White, "Where Do Markets Come From?" American Journal of Sociology 81 (1976):730-380; and Harrison White, Markets from Networks: Socioeconomic Models of Production, Princeton University Press, 2001.

Risk and Uncertainty

Here too, as with Harrison White's transgression and transcendence of the markets/social relations dichotomy, we can point to promising avenues of escape from Parsons' Pact. I think especially of a group of French economic sociologists whose work is collectively labeled "the economics of convention," and, in particular, of the work of Luc Boltanski and Laurent Thevenot in their book *De la Justification: Les economies de la grandeur* (On Justification: The Economics of Worth).³ Whereas the American institutionalists start with the division of efficiency versus legitimacy, the French conventionalists start with Frank Knight's problem of uncertainty and risk. Uncertainty and risk are both shaped by the fact that the future is unknown. In circumstances of risk, chances are calculable; that is, the distribution of outcomes can be expressed in some probabilistic terms. Uncertainty, however, lacks calculation: "All bets are off."

Neoclassical economics, of course, reduces all cases to risk – because theirs is a world of calculation, not of judgment.⁴ By contrast to this neo-classical view, Knight argued that a world of generalized probabilistic knowledge of the future leaves no place for the entrepreneur, and as a consequence, no place for profit. For Knight, profit is a particular residual revenue because it is not susceptible to measure *ex ante* – as distinct from rents that constitute contractualizable residual revenue. Properly speaking, the entrepreneur is not rewarded for risk-taking but, instead, is rewarded for an ability to exploit uncertainty. I return to this point below.

But before doing so I need to show how the French have broken the treaty – you, the economists, study value, we sociologists study values. Just as Harrison White has developed a sociological theory of markets, Boltanski and Thevenot are developing a sociological theory of value. Their first move is to demonstrate that there is not just one way of making value but that modern economies comprise multiple principles of evaluation (or as they say, multiple orders of worth).

One might object that this is not an escape from Parsons' Pact. After all, as soon as you make a plural out of value, you get values. But orders of worth of the French school are in fact very different from the cultural systems of the Parsonian institutionalists. For my American institutionalist colleagues, values are counterpoised to calculation, they are outside and distant from calculation. More precisely, if values are the embeddings for

³ Luc Boltanski and Laurent Thevenot, *De la justification: Les economies de la grandeur*. Paris: Paris: Gallimard, 1991.

⁴ It is as if, from the polysemic opening line of Wittgenstein's treatise which begins with the question "What is the case?" they squeeze out the ambiguity and reduce every situation to the question "What is this a case of?" since the problem is simply to find how that case conforms to some category or type about which statistical or probabilistic knowledge exists or can be constructed. Missing in neo-classical economics is the operation of judgment – making a case for...

value that somehow makes calculation possible, it is precisely because values are a kind of anti-matter to calculation. For my French conventionalist colleagues, on the other hand, orders of worth are not values counterpoised to value but are constitutive of value, they are the very fabric of calculation, of rationality, of value. As principles of evaluation they involve systematic associations of ideas – and thus have some similarity to culturalist notions – but they go beyond that similarity to show how each of the multiple principles of evaluation entails discrete metrics, measuring “instruments,” and proofs of worth objectified in artifacts and objects in the material world.

As such, I interpret their work as suggesting an entirely different way to understand Simon’s phrase “bounded rationality” – certainly different from its appropriation by Williamson. Whereas we conventionally think about bounded rationality as the cognitive limits on rationality, in Boltanski and Thevenot’s work rationality is only possible insofar as it takes place within the boundaries and through the social technologies of particular orders of worth. In this latter sense we should probably speak – and with a very different meaning – of bounded rationalities.⁵

Entrepreneurship as the exploitation of ambiguity

But what happened to risk and uncertainty? The French conventionalists would respond that institutions (“conventions” or “orders of worth”) are a way of dealing with uncertainty. They are technologies, engines, for turning situations into calculative problems. Orders of worth can be considered as means to transform uncertainty into risk. The limitation of this view – and here is my point of departure – is that it does not give adequate attention to the problem that orders of worth cannot eliminate uncertainty. In particular, they cannot eliminate the possibility of uncertainty about which order or convention is operative in a given situation. Taking this into account, we are in a position to restate the insight of Knight, but now in new terms: it is precisely this uncertainty that entrepreneurship exploits. *Entrepreneurship is the ability to keep multiple orders of worth in play and to exploit the resulting ambiguity.*

As an ability to exploit ambiguity, entrepreneurship is not the property of an individual – it is not, for example, the personality trait of tolerating ambiguity. Instead, it has an organizational basis. That is, organizational forms will differ in their capacity to sustain an ongoing rivalry among coexisting principles of evaluation. I use the term “heterarchy” to refer to the organizational forms with this reflexive capacity, and I take new media ventures in Manhattan’s Silicon Alley as a case for exploring these themes.

⁵ Boltanski and Thevenot’s study suggests that I would be mistaken to say that I “live in a market economy.” Markets are, indeed, one of the organizing principles of the U.S. economy. But, as they show in their study of the domain of the corporation, in addition to a market rationality, that economy also has a technological rationality, another organized around a civic logic, and still others according to principles of loyalty, inspiration, and fame.

Accounts of worth

An economic sociology that breaks with Parsons' Pact will be free to abandon the dualisms of value versus values and economy versus embedded social relations. That is, we will no longer be locked into either side of these dichotomies. In this realignment, the object of study for a new economic sociology becomes the sociology of worth. The polysemic character of the term – worth – signals that economic sociology is concerned with fundamental problems of value while recognizing that all economies have a moral component. From the static fixtures of value and values it focuses instead on the ongoing processes of valuation whether in assessing the value of firms under conditions of competing metrics of performance or in the everyday assessments signaled in expressions like “he’s not worth the trouble.” And whereas economics does not claim to study “the economy,” preferring instead labels such as the “science of decision-making under conditions of scarcity,” so economic sociology should claim that its object of study is a general problem instead of a specific domain. By focusing on problems of worth in whatever domain (firms, projects, households, the arts, relationships), we can avoid the tendency for economic sociology to become defined as the sociology of business.

To analyze the processes of evaluation that are central to the problem of worth, I propose that we develop a concept of accounts. Etymologically rich, the term simultaneously connotes bookkeeping and narration. Both dimensions entail evaluative judgments, and each implies the other: Accountants prepare story lines according to established formulae, and in the accountings of a good storyteller we know what counts. In everyday life, we are all bookkeepers and storytellers. We keep accounts and we give accounts, and most importantly, we can be called to account for our actions. It is always within accounts that we “size up the situation,” for not every form of worth can be made to apply and not every asset is in a form mobilizable for a given situation. We evaluate the situation by maneuvering to use scales that measure some types of worth and not others, thereby acting to validate some accounts and discredit others.⁶ How am I accountable? What counts? Who counts? Can you be counted on? Will you credit my account? By which accounting?⁷

⁶ David Stark, “Work, Worth, and Justice.” Published as “La valeur du travail et sa rétribution en Hongrie.” Actes de la Recherche en Sciences Sociales (Paris) #85, November 1990, pp. 3-19. Available in English online at <http://www.sociology.columbia.edu/faculty/stark/papers/publications.html>

⁷ I am exploring these themes in a number of empirical investigations. 1) With Daniel Beunza, I am examining the accounts of stock market analysts to understand coexisting metrics of assessing value in the “new economy.” 2) With Gina Neff, I am studying the accounts of new media firms in Manhattan’s Silicon Alley. That study examines a large data set of job listings – brief narratives in which firms announce their worth, specify the criteria of evaluation, and solicit investments in these accounts. 3) With Monique Girard, I am studying the coexisting accounts of worth within a startup firm. For the past two

Distributed intelligence and the organization of diversity

Heterarchy represents a new mode of organizing that is neither market nor hierarchy: whereas hierarchies involve relations of *dependence* and markets involve relations of *independence*, heterarchies involve relations of *interdependence*. Heterarchy has two fundamental features: lateral accountability and organizational heterogeneity. Restated, heterarchy is characterized by distributed intelligence and the organization of diversity.⁸

Heterarchy's twinned features are a response to the increasing complexity of the firm's strategy horizons (Lane and Maxfield, 1996) or of its "fitness landscape" (Kauffman 1993). In relentlessly changing organizations where, at the extreme, there is uncertainty even about what product the firm will be producing in the near future, the strategy horizon of the firm is unpredictable and its fitness landscape is rugged.⁹ To cope with these uncertainties, instead of concentrating its resources for strategic planning among a narrow set of senior executives or delegating that function to a specialized department, firms may undergo a radical decentralization in which virtually every unit becomes engaged in innovation. That is, in place of specialized search routines in which some departments are dedicated to exploration, while others are confined to exploiting existing knowledge, the functions of exploration are generalized throughout the organization. The search for new markets, for example, is no longer the sole province of the marketing department, if units responsible for purchase and supply are also scouting the possibilities for qualitatively new inputs that can open up new product lines.

These developments increase interdependencies between divisions, departments, and work teams within the firm. But because of the greater complexity of these feedback loops, coordination cannot be engineered, controlled, or managed hierarchically. The results of interdependence are to increase the autonomy of work units from central

years, we have been conducting ethnographic field work in NetKnowHow, a pseudonym for an Internet consulting firm in Manhattan.

⁸ David Stark, "Heterarchy: Distributing Intelligence and Organizing Diversity" in The Biology of Business: Decoding the Natural Laws of Enterprise, John Clippinger, editor. San Francisco: Jossey-Bass Publishers, 1999, pp. 153-179.

⁹ A smooth fitness landscape is highly regular and single peaked, reflecting a single optimal solution possessing a higher fitness value than any other potential solution. A more complex or "rugged" fitness landscape, by contrast, is not amenable to linear programming models (e.g., lower unit costs through economies of scale) because the topography is jagged and irregular, with multiple peaks corresponding to multiple optimal solutions. On the use of genetic algorithms designed to explore initially unpromising paths and thereby avoid the danger of "climbing to the nearest peak" which might simply be the highest point in a valley surrounded by yet higher peaks, see Holland (1992). On adaptation in rugged fitness landscapes, see Kauffman (1989).

management. Yet at the same time, more complex interdependence heightens the need for fine-grained coordination across the increasingly autonomous units.

These pressures are magnified by dramatic changes in the sequencing of activities within production relations. As product cycles shorten from years to months, the race to new markets calls into question the strict sequencing of design and execution. Because of strong first-mover advantages, in which the first actor to introduce a new product (especially one that establishes a new industry standard), captures inordinate market share by reaping increasing returns, firms that wait to begin production until design is completed will be penalized in competition. Like the production of "B movies" in which filming begins before the script is completed, successful strategies integrate conception and execution, with significant aspects of the production process beginning even before design is finalized.

Production relations are even more radically altered in processes analyzed by Sabel and Dorf (1998) as *simultaneous engineering*. Conventional design is sequential, with subsystems that are presumed to be central designed in detail first, setting the boundary conditions for the design of lower-ranking components. In simultaneous engineering, by contrast, separate project teams develop all the subsystems concurrently. In such concurrent design, the various project teams engage in an ongoing mutual monitoring, as innovations produce multiple, sometimes competing, proposals for improving the overall design.

Thus, increasingly rugged fitness landscapes yield increasingly complex interdependencies that in turn yield increasingly complex coordination challenges. Where search is no longer departmentalized but is instead generalized and distributed throughout the organization, and where design is no longer compartmentalized but deliberated and distributed throughout the production process, the solution is *distributed authority* (Powell, 1996).

Under circumstances of simultaneous engineering where the very parameters of a project are subject to deliberation and change across units, authority is no longer delegated vertically but rather emerges laterally. As one symptom of these changes, managers socialized in an earlier regime frequently express their puzzlement to researchers: "There's one thing I can't figure out. Who's my boss?" Under conditions of distributed authority, managers might still "report to" their superiors; but increasingly, they are accountable to other work teams. Success at simultaneous engineering thus depends on learning by mutual monitoring.

The interdependencies that result from attempts to cope with rugged fitness landscapes are only inadequately captured in concepts of "matrix organizations" or in the fads such as treating the firm as a set of "internal markets" according to which every unit should regard every other unit in the firm as its "customers." These conceptions are inadequate because they take the boundaries of the firm and the boundaries of its internal units as given parameters.

First, as Walter Powell (1990; 1996) and others show, the boundaries of the firm, especially those in fast-breaking sectors, are criss-crossed by dense ties of interlocking ownership (Kogut et al 1992) and complex patterns of strategic alliances. Where the environment is most volatile and uncertain, the real unit of economic action is increasingly not the isolated firm but networks of firms. As with the networks linking mental representations and physical artifacts in “distributed cognition” (Hutchins 1995), networks of strategic alliances create opportunities for distributed intelligence across the boundaries of firms.

Second, as it shifts from search routines to a situation in which search is generalized, the heterarchical firm is redrawing internal boundaries, regrouping assets, and perpetually reinventing itself. Under circumstances of rapid technological change and volatility of products and markets, it seems there is no one best solution. If one could be rationally chosen and resources devoted to it alone, the benefits of its fleeting superiority would not compensate for the costs of subsequent missed opportunities. Because managers hedge against these uncertainties, the outcomes are hybrid forms (Sabel, 1990). Good managers do not simply commit themselves to the array that keeps the most options open; instead, they create an organizational space open to the perpetual redefinition of what might constitute an option. Rather than a rational choice among a set of known options, we find practical action fluidly redefining what the options might be. Management becomes the art of facilitating organizations that can reorganize themselves.

Typically, we can think about organizational innovation as a process whereby firms discover new means to carry out existing functions more effectively and efficiently. But, under conditions of radical uncertainty, organizations that simply improve their adaptive fit to the current environment risk sacrificing adaptability in subsequent dislocations (Grabher 1997; Grabher and Stark 1997). Under complex strategy horizons, where dislocations can be anticipated in general but are unpredictable in their specific contours, organizations must innovate in ways that allow them to flexibly deploy resources for further innovation.

The challenge of the modern firm, whether it be a postsocialist firm coping with the uncertainties of system change or a digital technologies firm coping with unpredictable strategy horizons, is the challenge of building organizations that are capable of learning. Flexibility requires an ability to redefine and recombine assets: in short, a pragmatic reflexivity.

This capacity for self-redefinition is grounded in the organizational heterogeneity that characterizes heterarchies. Heterarchies are *complex* adaptive systems because they interweave a multiplicity of organizing principles. The new organizational forms are heterarchical not only because they have flattened hierarchy, but also because they are the sites of competing and coexisting value systems. The greater interdependence of increasingly autonomous work teams results in a proliferation of performance criteria. Distributed authority not only implies that units will be accountable to each other, but also that each will be held to accountings in multiple registers.

Organizational ecologists have long held that adaptability is promoted by the diversity of organizations within a population.¹⁰ The perspective adopted here, by contrast, is that adaptability is promoted by the *organization of diversity*¹¹ within an enterprise. Organizational diversity is most likely to yield its fullest evolutionary potential when different organizational principles co-exist in an active rivalry¹² within the firm. By rivalry, I do not refer to competing camps and factions, but to co-existing logics and frames of action. The organization of diversity is an active and sustained engagement in which there is more than one way to organize, label, interpret, and evaluate the same or similar activity. Rivalry fosters cross-fertilization.¹³ It increases the possibilities of long-term adaptability by better search, "better," not because it is more consistent or elegant or coherent, but precisely because the complexity that it promotes and the lack of simple coherence that it tolerates increase the diversity of options. The challenge of the organization of diversity is to find solutions that promote constructive organizational reflexivity, or the ability to redefine and recombine resources.

The challenge of a new media firm, for example, is to create a sufficiently common culture to facilitate communication among the designers, business strategists, and technologists that make up interdisciplinary teams – without suppressing the distinctive identities of each.¹⁴ A

¹⁰ For sociologists within the population ecology of organizations school, adaptability is promoted by the diversity of organizations: a system with a greater variety of organizational forms (a more diverse organizational "gene pool") has a higher probability of having in hand some solution that is satisfactory under changed environmental conditions (Hannan 1986). But the selectionist bias of organizational ecology lacks "sex." That is, it is relatively infrequent in the population ecology of organizations literature that we find cross-fertilization, mixing, or recombinations of "genetic" organizational materials. Evolutionary economics (e.g. Nelson and Winter) was at least alert to the possibilities of recombinations of organizational "routines" inside the firm. A heterarchical combinatorics is not simply about organizational routines but about the interaction of evaluative principles.

¹¹ "[T]he sphere of complexity is that of organized diversity, of the organization of diversity." Morin, 1974:558.

¹² On rivalry, see especially Grabher (1997).

¹³ "Recombination plays a key role in the discovery process, generating plausible new rules from parts of tested rules" (Holland, 1992:26). "Novelties come from previously unseen association of old material. To create is to recombine" (Jacob, 1977: 1163). Or, in Harrison White's (1993) terminology, "values mate to change."

¹⁴ A young business strategist in a leading new media consulting firm in Silicon Alley grasped the problem intuitively. When I asked whether he can speak the language of the designers and technologists on his project teams, he responded that he frequently does. But then he paused for a moment and added, "But I don't always do so. If I always talked to the technologist on his own terms, then he would never understand *me*."

robust, lateral collaboration flattens hierarchy without flattening diversity. Heterarchies create wealth by inviting more than one way of evaluating worth.