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The Role of Organizations in the Modern Society: An Outlook from the Perspective of Systems Theory

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Abstract

New system approaches lead to a different understanding of how organizations are composed and reproduced as social systems. But they also shed light on the role of organizations in modern society. With the help of the theory of functional differentiation, which underlies many of those system approaches that deal with macro-phenomena aiming to describe what we use to call “modern” societies, the central characteristics and challenges of these societies are analysed. One of the challenges is the problem of integration. Whereas the integrative function of negotiation systems has already been discussed (especially in political science, for example), the relevance of organizations for integration has not yet been focused upon. The central idea developed in the paper is that organizations play an important role for integration in modern societies by designing their decision programs in a special manner. These programs reflect more than the dominant rationality of the functional system to which they assign themselves. Since decisions turn out to be contingent, they call for justification with regard to the general public as well as to the organizational members. The content of organizational communication media reflects the contingencies and justifications. By discussing the role of organizations in society via a systems approach it is possible to derive the function of communication that media organizations make use of (such as “newspapers” for employees or business-“television”). This function differs from what we know from the public sphere. In addition to this, it is possible to use insights from mass media, especially from studies of editorial departments and from information technologies for the benefits of organizational communication.

There were some attempts in the recent past to demonstrate the potential of systems theory for organizational communication (see the overview in Contractor 1994). In this context we learned of the shortcomings of traditional approaches and the implications of the principle of self-organizing for the understanding of communication and organization. Some scholars

therefore have good reasons to speak of “organizing” instead of “organization”, thereby referring more clearly to the necessity of permanent reproduction of this social phenomenon (Weick 1985; Contractor 1994).

If I nonetheless prefer to talk of organizations (and not of “organizing”) at this juncture, this decision is governed by my subject. In this manuscript I will discuss the relationship between organizations und their social environment. This relationship has not constituted a central subject of organizational communication (at least not until now). I would like to demonstrate that with the help of current systems theory it will be possible

- both to develop and describe the role of organizations in modern societies as a factor respectively “location” of integration and
- as well as to derive a theoretically based function of communication media for organizations.

1) Organizations and their social environment– The concept of “Corporate Citizenship”

The relationship between organizations and their social environment is discussed mainly in two areas:

- Research in public relations focuses traditionally on the relationship between organizations and the general as well as the different public(s).
- Recently management science has gained some impulses from policy research, especially from the work of Putnam (2000), who discusses the role of corporate actors in society. The discussion is subsumed under the term “corporate citizenship”, which means *“an active role for private sector entities as ‘citizens’, having both rights and responsibilities. In addition to adopting the business policies and practices of corporate social responsibility, corporate citizenship is geared to maximize private sector contributions to social development without undermining business practices. The concept of corporate citizenship goes beyond focusing on compliance, responding to external scrutiny or simply minimizing negative impacts, thereby engaging the private sector in a more proactive way to actively search and pursue ways to promote social development”* (Wieland 2003: 17).

When looking for reasons why corporate actors engage in this way, motives such as charitable giving arise. Some scholars point to the fact that this seemingly “un-economic” behaviour may be proven to be economic in the long run. Social investments in selected areas, such as support of schools, for example, which produce well educated graduates as potential employ-

ees, may turn out to be a good investment in the future. When the U.S. experienced an economic crisis at the end of the 80ies, shareholder-value, which had been propagated dominantly until then, was expanded by social responsibility of business organizations. President Bush senior as well as President Bill Clinton gave institutional incentives for networks between government, society and economy. Professional mediation agencies were established at the interface between economy and society whose task it was to make the budget appropriation more professional. Thereby a concept of corporate citizenship developed which transcended ethical or moral motives: *“A definition of corporate citizenship that went beyond charitable contributions became established in the debate, but community activities were also re-defined”* (Logan 2001: 17).

Note: In Germany, too, efforts are being made to change the relationship between state, economy and citizens. The state is no longer capable of delivering the traditional benefits on a large scale and therefore tends to delegate some tasks to the citizens themselves and to private industry (Deutscher Bundestag 2002). The preconditions for realizing these plans differ very much in Germany compared with the U.S.. People in Germany do not want to dissociate themselves from the welfare principle they have experienced over many decades and the business organizations keep themselves out of the discussion. A recent survey on the CEO of the 30 business companies quoted on the stock exchange (DAX) revealed that 86% of the CEOs did not want to have anything to do with the public.¹ This result cannot be interpreted as acting responsibly referring to societal affairs. But at least the term “Corporate Citizenship” has crossed the Atlantic Ocean and is discussed in the pertinent scholarly literature.

The concept of Corporate Citizenship is a very normative one indeed. With this concept in mind the researcher can ask whether and in which manner corporate citizenship is put into practice in an organization and what the reasons are for realizing or not realizing the concept. These questions are not at all irrelevant, but the answers that can be gained from these questions are grounded in ethical considerations. Some people responsible may feel obliged to realize the concept, others not. In any case the explanation is put down to the level of a person (and not to a social entity like an organization). There is another crux lying in the term “corporate citizenship”. It is a problematic term, indeed, because one cannot transfer the rights of a natural person onto a corporate actor. An organization for example, has no right to vote or to run for president.

¹ Unpublished report of the University of Stuttgart-Hohenheim/Germany (Buß, Eugen, *Eliten in Deutschland*, Universität Hohenheim 2004).

Is there another possibility to discuss the role of organizations in a modern society? I would like to demonstrate that with another theoretical background we probably could derive other research questions, questions which could be of interest for scholars of organizational communication, too.

2) A systemic concept of a “modern society”

First, allow me to explain in a few sentences what I mean when talking about “modern society”. As a second step, I will formulate the role organizations can play in these societies. In my arguments I refer to the work of Maturana and Varela (1975) and those who make their ideas productive for the analysis of social systems. I will especially deal with the theoretical work of Niklas Luhmann, who is as prominent as he is controversial in the German discussion about systems theory. His book “Soziale Systeme” (1984) was translated into English 11 years after its publication in German (“Social Systems”, Stanford 1995). But until now little of his theoretical work is accessible to the English speaking scientific community.

Systems approaches which refer to a macro level of analysis describe “modern society” as a “complex system of communications that has differentiated itself horizontally into a network of interconnected social subsystems” (Knodt 1995: xii). In other words, these societies are functionally differentiated societies. In the process of modernization independent subsystems evolve, such as the political system, science, economy or even the public². Each of these macro systems is characterized by an exclusive function:

- political system: legal decisions which have a binding force for everyone in a society.
- science: production of insights, “truth”
- economy: production of goods
- public: self-observation of society

The subsystems differ not only in respect to their function but also in their systemic operation which can be characterized as self-referential. The systems work on the basis of binary code. With respect to this code the systems are closed. The code cannot be transcended into the environment. In other words: systems are closed on the level of their recursive operations.

² There are some proposals regarding how to term this subsystem: Public, Journalism, Mass Media. The discussion about this is still going on in Germany.

The special code of the political system is gaining power/not gaining power, science operates on the basis of truth (true/not true), the medium of the subsystem economy is money, the code is paying/not paying resulting in costs or profits. The public has the special function of self-observation of society and operates on the basis of topicality and decides whether something should be published or not, whether something should have the status of the current news or not. The central medium and the code are valid just for one subsystem; they cannot be transferred to other subsystems.

Subsystems (examples)

Subsystem	Function	Medium	Code
Political system	Legal decisions	Power	gaining power / not gaining power
Science	Insight	Truth	true / not true
Economy	Production of goods	Money	paying/ not paying
Public	Self-observing of society	Topicality/Publicity	topical/ not topical

Societal subsystem show operational closure only on the level of their recursive operations. Here they follow the principle of autopoiesis, that is to say they have to reproduce their elements by their own operations. Since social systems are built out of communication, communications are the elements which have to be reproduced permanently.

But social systems are not exclusively closed. Instead they have to be open with respect to information or to resources from their environment. Every system judges information according to its own specific criteria of relevance. Only with the help of these criteria is it possible for a system to recognize information as information.

Through the existence of societal subsystems modern societies are able to cope with an extraordinary high degree of complexity. On the other hand, the subsystems deal with problems in a very special manner. They work independently from each other, following their own operational code which defines what is important and what is not; problem solving is selective problem solving.

Societal subsystems are very efficient in their handling of problems. Since they work rather independently from each other, new interdependencies arise. The capability of coping with a high degree of complexity is therefore paid with a high degree of interdependency between the single subsystems.

How can modern societies cope with these interdependencies? How can we succeed in re-integrating the different rationalities of the subsystems?

This is a very important question for modern societies and it touches on their (self-)regulation. The question is not new at all. Talcott Parsons³ (1951) believed in the integrative force of a system of values which should have precedence over other societal subsystems. But in modern societies there are many possible values which could lead to action. Values can contradict each other (for example, security values and liberty rights) and some are too abstract to guide concrete action in every situation. We therefore have to look for other solutions to the integration problem and the concept of functionally differentiated society as it is developed by Niklas Luhmann may deliver the basis from where it is possible to formulate an alternative.

Note:

Parsons and Luhmann start from different assumptions: Parsons deduced from invariant systemic structures the functions necessary to maintain these structures whereas Luhmann subordinates structure to function. Both differ in other aspects, too: The solution of double contingency. Parsons believes that this can be solved “with reference to prior social consensus concerning cultural norms and rules of conduct. In Luhmann’s view it is precisely the paradoxical indeterminacy of pure self-reference that makes any such consensus susceptible to fluctuations and the unpredictability of random events” (Knodt 1995: xxviii). This is a momentous assumption: “If universal consensus could ever be reached, it would terminate the system’s autopoiesis – nothing more could be left to say” (Knodt 1995: xxix). Luhmann also changes the status of “action”. Action is “an effect rather than a precondition of the social” (ibid. xxx), though both are intertwined.

The concept of functionally differentiated societal systems breaks with the vision of hierarchically constructed systems with one system (the value system) serving as a steering force at the top of the hierarchy. This assumption is not compatible with the systemic features described above. Societal subsystems are not hierarchically structured⁴. That is not to say that

³ With whom Luhmann studied at Harvard in 1960.

⁴ As Luhmann (1995: 19) explains “hierarchy means only that subsystems can differentiate into further subsystems..and that [it] may hold to a large extent for organizations because in them it can be guaranteed by formal rules”. For systems relating to the whole society “one can indeed start with a basis schema of differentiation – whether as segmentary, stratificatory, or functionally differentiated – but this surely does not mean that further system formations are possible only within the rough division thus established.”

values and norms are irrelevant, but they cannot cancel the fundamental logic and operation mode of functional systems.

How can we arrive – under these circumstances – to a co-ordination of the rationalities of the different subsystems?

One possible answer to this question is the “negotiation systems”, as they are termed. They are built to prevent the single subsystems from exploiting their own rationality without limitation. They should ensure that other rationalities can come into play as well. The professional mediation agencies mentioned above are examples for such negotiation systems just like the “round tables”, as they are known, where different interests are represented. The decisions and compromises found in these networks still remain contingent, “they are also being possible otherwise” (Luhmann 1995: 25).

3) The role of organizations in a modern society

This is the point where organisations come into play. Organizations can be assigned to different societal subsystems: private enterprises belong to the economy, political parties to the political system, universities and research institutions can be assigned to the subsystem science, publishing houses and media organization belong to the public, and so on. A detailed analysis reveals that sometimes one sector of an organization obeys the operating code of one subsystem whereas the other sector obeys the code of another subsystem. A very obvious example is media organizations, where the editorial boards act on the operation mode “publicity” whereas the publishing houses refer to the economic code. The same holds true for universities, whose research departments are oriented towards truth and understanding, whereas the activity of teaching relates to the system of education.

Functional systems with reference to society (that is to say macro-systems) are composed of communication as the core element. The elements are reproduced constantly and in a self-referential manner, thus constituting meaning. “Meaning is an effect of the production of information (a selection from a repertoire of possibilities, ATB) via the creation of differences that, in Gregory Bateson’s words, make a difference” (Knodt 1995: xxvi). Societal subsystems work with meaningful communication but they are not able to act. This is only possible via organizations. Organizations can act and they can be addressed as a possible communication partner. In organizations, communications have the form of decisions. These decisions

are ascribed to organizations in the form of actions they have taken. The fact that organizations can be ascribed to special societal subsystems and obey the dominant code does not imply however that people in private enterprises talk about the economy exclusively, or people in political parties make conversations on political subjects only.

We therefore have to make a difference between societal subsystems and organizations. This difference is not always found in the literature about systems theory. The lack of distinction is probably due to the fact that societal subsystems cannot be observed directly but only via their organizations. Nevertheless, we cannot equate subsystems with organizations.

Whereas societal subsystems can operate exclusively on their special operational code, organizations cannot afford to concentrate on this code when making decisions (this is my claim). Through the process of self-descriptions, organizations indeed assign themselves to a societal subsystem (they appear as a private enterprise or as a political party, for example). But they have to take into consideration the logic of other subsystems as well:

- On the one hand, the relationships between an organisation's decisions and the economic or political implication at the time of the decision are not always clear.

Examples:

- *(1) At the time when printing companies became involved in the Internet from the mid-Nineties onwards, it could not be foreseen whether money could be made with it or not.*
 - *(2) Political parties are undecided at the moment in Germany whether they should announce the future extent of the cuts in the social system before the election or not; that is, whether revealing the actual intentions of the party will win or lose votes.*
- On the other hand, other criteria than the respective function-specific ones need to be considered in order to create or maintain the environment for economic, political and other decisions, for example. What we observe in media companies, for example, is also applicable to other enterprises: publishing houses do not only need publishing know-how, but money as well; conversely, economic organisations do not only need money, but “acceptance”, loyalty and motivation on the part of their employees, etc.. Incidentally, the latter aspect is also cited as an advantage of Corporate Citizenship; in addition, economic or-

ganisations also need initiative, team-working skills, fostering of their employees' learning ability, the willingness to change and many other similar qualities.

4) Questions we can ask with reference to the media of organizational communication

It is here where some noteworthy research questions can be derived. They relate above all to the use of communication media in organizations:

- Which decisions come onto the agenda of the different media of communication?
- How are the decisions justified?
- What criteria and arguments are mentioned?
- Is the decision comprehensible for employees or for the public?

The research into the media of organizations thereby proves to be an interesting, theoretically based area of study which goes beyond the concept of "media richness".

The media employed in organizational communication serve a different purpose than those we know as the general "mass media", even if we use the same term when we speak of *employee-newspapers* or *business-television*. The communication media used in organizations serve in the first place as a kind of justification and we have to consider the fact that they are related directly to the decisions made by the organization. These decisions are fundamentally contingent, because in a decision "only one conclusion [is] reached but others could have been chosen" (Andersen 2003: 245). Contingent means neither impossible nor necessary. When every decision shows this contingency (it could bring about other results as well, depending on the preference structure used in choosing an alternative or in the logic used to formulate alternatives) organizations are compelled to deliver explanations of these decisions, for the general public as well as for special target groups and for the employees. Here we have to keep in mind the dictum of Heinz von Foerster (1992: 14): decisions, which are the typical form of communication for organizations, are "questions, which are in principle undecidable".⁵

These statements are self-descriptions made for reasons of legitimacy. Legitimacy is defined as the successful attempt, "to justify the decisions [of the organization, ATB] to their environments showing that these decisions serve the common interest or the more abstract societal

⁵ Andersen (2003: 246) points to the fact that many rational decisions (that is to say decisions where a result can be reached by logical conclusion, calculation and so forth) "are not decisions at all".

goals” (Malik 2004: 73, own translation). It is Taylor (2001: 171) who argues in a similar manner when he states: "To become a macroactor, it is above all essential to marshal ‘good reasons’ why one’s position is the right one, by all the usual tools of argumentation: the accepted authority of the speaker, the inescapability of the logic, the support of many people in the community for what is being asserted, the evidence of indubitable facts, common sense, and so on.” From a system theoretical point of view, we always have to consider that fact that these statements are a self-description of an organization. We have to keep this in mind because with the evolution of functionally differentiated systems the question of observation level has become more relevant. We have to distinguish whether observations take place on a first or on a second level (for more detailed information see Theis-Berglmair 2004; 2004a).

The theory of self referential systems uses the term “observing” in a different manner than we usually do in our everyday life. The process of observing is an internal operation of the system. Observing is possible when the system is able to make a distinction and to describe this distinction in form of a semantic figure. By observing, systems obtain information about themselves and/or their environment. Because of the operational closure of autopoietic systems, they are not able to select information directly from their environment, but they can observe the operations of their environment and construct these observations only by means of their special code as “information”.

At this first level of observation the observer is not able to recognize his own distinctions; the distinction is not reflected at all. At the second level of observation, the observer can observe the observation on the first level *and* the criteria of the distinction made. It is at this level where reflection is possible, self-reflection and reflection of the environment. Identity and self-description are therefore bound to second-level-observation. In modern societies mass media play an important role in this process, because the media bring the self-descriptions of organizations onto the public agenda. In this way other social or cognitive systems (for example, organizations, “natural persons”) can deal with these descriptions.

With the advent of new communication technologies, organizations have new possibilities at their disposal to publish their self-description on their homepages for example. Here, they often describe their social responsibility (sustainable development, corporate citizenship) and the ways they try to realize their engagement. These activities can be interpreted as *purposeful*

programs, and the decisions which an organization realizes are judged on the basis of these self-descriptions delivered by the organization itself.

At the second level of observations, organizations have the capability to reflect different rationalities when making a decision and constructing their decision programs. It was my colleague Manfred Rühl (1980) who postulated that there are two kinds of decision programs in media-organizations, as he observed in his studies on editorial departments: *conditional or routine programs* and the *purpose programs*, as they are termed. Whereas the first kind of programs come into play every time when specific conditions are met, purpose programs are set forth by the organization itself. Media organizations, for example, work in this manner: special events (such as the Olympic games, political elections, and so on) set forth special routines in handling with these “events” in the process of gaining news character. On the other hand, some editorial departments start special campaigns aimed at improving traffic security or enhancing charity work for example. Corporate Citizenship can be described, too, as a kind of purpose program, by which organizations are investing in the social sphere and thereby describing and acting at the same time as responsible actors.

5. Conclusion

It is my opinion that much speaks in favour of such an integrative role for organizations which have to do justice to various system logics in their decisions or decision programs, although they are nonetheless obliged to a dominant logic. In everyday life, the complaint is all too often voiced nowadays that an economic enterprise only acted **exclusively** from an economic perspective – an accusation which in the light of the unequivocal classification of this organisation to the function system of economy is really not comprehensible. Obviously society implicitly or explicitly assumes that, in the case of making decisions, other criteria than economic ones are also employed, even if the latter continue to remain **dominant** (the differentiation between an exclusive and dominant rationality is thus important). This fact can be observed also in the case of investors, as the study of a colleague of mine, Frank Brettschneider, U of Augsburg, Germany, reveals. He wanted to find out, which factors influence the decision of private investors in the purchase of shares. Out of the three factors which played a role for the decision – pure economic data, soft criteria as image and confidence in the leadership of an enterprise, long-term prospect and sustainable production – the last mentioned fac-

tor proved to be the most important one⁶. Depending on the prevailing relevance of different investors (or groups of investors), companies listed in the stock market have to design their decision programs and their press releases⁷. The decision programs depend on the plurality of expectancies an organization is able to recognize. On the other hand, contingency increases and this fact calls for a permanent justification of decisions. Contingency therefore reveals to be a theoretical basis for a functional analysis of communication media in organizations.

As organisations are in the position to work and deal with interdependencies between their own functional primacy and other (external) functions on the program level, they prove to be an important integration factor of modern societies. Thus, these societies, which have to function without an hierarchically superior authority, have at least two “integration locations” at their disposal: the aforementioned negotiation systems, which above all are discussed in political science (policy research), and the organisations themselves. A number of research questions arise to which no satisfactory answer has yet been found:

- Which preconditions are required so that organisations are able to reflect and thus also integrate? This questions refers to power relations in the environment of organizations.
- What role is played by the individual communication media in this matter?
- What role is played by dialogue-based communication for integration processes?
- How do organisations become “able to conduct dialogues”?

The answers we obtain can help to answer the theoretical question: How can self-referential systems such as organizations create openness as Luhmann points out (Luhmann 1995: 9)?

While we are trying to find answers to such a question we can fall back upon insights made in studies conducted in other fields like mass media (especially the study of editorial departments mentioned above) or information and technology. As we use the unifying capacity of a theoretical abstraction such as modern systems theory we will see more similarities in different areas of research.

⁶ See: http://www.presse.uni-augsburg.de/unipressedienst/2005/pm2005_023.shtml

⁷ The author of the study, Frank Brettschneider, acknowledges special chances for middle-range companies in as far as companies guided by their owners show greater efforts in sustainable production and goods.

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