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13 The Diffusion of Organizations
The Role of Foreign Aid

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1 INTRODUCTION: BEYOND THE THESIS OF HOMOGENIZATION

If we were to draw a world map of organizations, not only would we notice the extent to which organizations have spread throughout the world over the past few decades; a closer analysis would also attract attention to the striking similarity between organizations in different parts of the world. For instance, there are a surprising number of parallels between the command structures and rules and regulations of armies in Britain, Argentina, Mali and Sri Lanka (McNeill 1984). A governmental department for science and technology exists in such diverse countries as the US, France, Taiwan, Pakistan, Nigeria and Chile (Jang 2000), and schools and universities in Germany, Japan, Brazil and Ghana are far more similar with respect to curricula, duration of schooling and departmental divisions than the economic differences of these countries might lead us to assume (Ramirez and Riddle 1991; Meyer and Ramirez 2005). How can the rapid expansion and great similarity of organizations around the world be explained?

Neo-institutionalism attributes the spread of organizations—in the same way as it attributes the global expansion of states and the idea of the individual—to the alignment with the principles of a world culture of Western origin. Organizations, individuals and states are the three types of actors that are endowed with legitimacy in the Western and now global cultural frame, and this explains the similarities between organizations all over the globe. However, critics have argued that the concept of culture is fuzzy, that the origins of culture and its standing relative to other, more structural factors is unclear, and that by assuming the existence of globally shared cultural beliefs, we draw a simplistic and over-homogenizing picture of global processes (for a summary, see Kühl 2002).

Neo-institutionalism acknowledges the fact that there is a difference between the front stages of organizations, which are becoming increasingly similar throughout the world, and the "work activities" taking place on the backstage. A "decoupling," according to John W. Meyer and Brian Rowan (1977: 357), enables organizations to maintain their standardized and accepted formal structures while permitting their activities to be oriented toward practical aspects. While the neo-institutionalist term of "decoupling" makes an important point, we cannot help noticing that the theoretical formulation of concrete "work activities" remains rather weak. In neo-institutionalism, the phenomenon of informality is relegated to somewhere below the radar of theory and can no longer be captured with its own conceptual language (Meyer and Rowan 1977: 341).[1]

Systems theory, as well, regards organizations as a central phenomenon of modern society. The career of the functional system as a primary unit of differentiation of modern society is accompanied by the development of formal organizations. In its most extreme form, this idea boils down to the thesis that a functionally differentiated society must also be a society of organizations. However, in this general form, the argument is ill-equipped to explain the rapid spread of organizations around the world. While linking functional differentiation and the rise of organizations may be an accurate account of the historical development of Western countries, assuming that the rest of the world will simply follow Western patterns would be a relapse to the fallacies of modernization theory, with its basically teleological outlook. Indeed, it can be argued that systems theory—even more than neo-institutionalism—has been blind to the functioning of organizations in developing countries and to the interface between organizations in industrialized and developing countries (for the only exception, see Luhmann 1995: 18ff.). Its concept of society and of organizations often seems to be built on the model of OECD countries in the 1980s, while the situation in developing countries is either ignored altogether or dealt with as a side issue. The question systems theory has to ask itself is how it can fulfill its claim of being a "radically anti-regionalist theory of society" (Luhmann 1997: 35).

I propose that we can advance our theoretical understanding by fine-tuning our use of systems-theoretical approach. Organizations form neither simply as an enactment of globally diffused models nor as a logical consequence of functional differentiation. Instead, a major mechanism of the formation or organizations is the prior existence of organizations, because organizations prefer to deal with other organizations in their environments. I call this the dynamics of "contact infection": Where organizations operate, more organizations are likely to be formed.

This approach is based on systems theory but elaborates on its conceptualization of the role of organizations in global processes. The most basic notion of systems theory is the pertinence of boundaries—in particular, boundaries between systems and environments. Contrary to neo-institutionalism, systems theory does not assume social reality to be an "open space" through which cultural or other prescriptions flow freely and without resistance. In this vein, I propose to conceptualize the spread of organizations not in terms of a unitary, globally established culture, but in terms of the processes that take place at the boundaries between systems—in this case, organizations—and their environments.

In this chapter, I focus on foreign aid organizations, which are major agents in the global spread of organizations. Foreign aid organizations are not the only organizations involved in the global spread of organizations, to be sure, but they are a key factor and, to say the least, an instructive exemplary case. This is so for three reasons: First, foreign aid organizations are permanently situated at the interface between industrialized and developing countries. Second, they are more committed than any other type of organization to promoting world society. Third, they deal reflexively with the subject of organization, since aid organizations typically regard themselves as specialists in the analysis of other organizations—that is to say, their "partner organizations" in the Third World.

In Section 2 of this chapter, I give a condensed historical account of the formation of organizations in peripheral parts of the world and show that it operates increasingly via the mechanism of "contact infection," instead of "branch establishment." In Section 3, I discuss the work of foreign aid organizations and their stance toward the issue of organization-building, which was at first a side effect of developmental projects and later came to be a manifest or key aspect of developmental work. However, this means that organizations in developing countries are usually not simple copies of Western organizations, because they have specifically adapted to the needs of processing foreign aid. In Section 4, I analyze typical differences between organizations in Western and in developing countries by drawing on and elaborating the systems-theoretical notion of informality in organizations. Foreign aid is a typical field in which organizations with different types of informality—which I call "informality I" and "informality II"—come in contact with each other.

2 THE EXPANSION OF ORGANIZATIONS: FROM BRANCH ESTABLISHMENT TO CONTACT ESTABLISHMENT

Attempts at capturing historical developments of societies on maps have so far concentrated primarily on the presentation of states, religions and economic processes. Historical maps almost exclusively show the appearance (and disappearance) of states, the dissemination of world religions, and the expansion of economic centers of production and trading processes. The scheme of order of historical atlases seems to be oriented toward functional systems and evinces a clear preference for the societal domains of politics, religion and the economy.

What would a historical world atlas of organizations look like? In my opinion, the system of maps would not begin until the 14th or 15th century, when a small number of maps would have been sufficient. The maps of the 19th century would be more comprehensive and would depict processes such as the diffusion of the Humboldt-based university model to North America or the diffusion of certain industrial processes of production. The maps of the 20th century would probably show an almost explosive increase in the structuring pattern of the organization.

A look at the new organizations established would suffice to illustrate that the number of organizations has increased disproportionately at the municipal, national and international levels when compared with indicators such as population and economic growth (for international NGOs, see Boli and Thomas 1997: 171ff.; 1999: 13ff.).

Organizations have asserted themselves as a dominant social form in a growing number of social fields. While organizations were originally confined to the domains of religion (e.g., churches) and government (e.g., public administration authorities), they are now ever-present in education, science, sport, tourism and the economy (Meyer 2002). A number of different terms were used to capture this expansion of organizations in the 19th and 20th centuries—e.g., "organizational revolution" (Boulding 1953), "development of managerialism" (Considine and Painter 1998) and "society of organizations" (Perrow 1987).

The Diffusion of Organization Through the Creation of Branches

The formation of organizations dates back to early Christianity. At the moment when the early Christian church became a religious association whose members were recruited without regard to ascriptive criteria such as family origin, social class or ethnic group, the first signs of modern organization were discernible (Parsons 1964: 347ff.). When politics and law separated from religion and—even more importantly—the latter separated from the context of society as a whole in late 17th century England, organizations also developed in these areas that were able to decide membership issues with an increasing extent of autonomy. With the advent of industrialization, labor differentiated itself to assume a specific role freed from other demands. People no longer worked primarily at home with their families; instead, the members of a family separately worked in different jobs (Parsons 1971).

How did the structuring pattern of organization spread throughout the world in this phase? The mechanism that contributed in particular to the expansion of organizations can be described as "branch establishment."

We can observe the prototypical mechanism of "branch establishment" in religious organizations. By forming sub-units, churches and convents not only spread their religious influence but also contributed substantially to the expansion of a specific type of organization. While this process was initially confined to Europe, it spread to America, Asia and Africa once these continents were "discovered." The Jesuits are just one example of an organization that—in just a few decades—founded hundreds of new orders in Latin America, Asia and Africa (Stichweh 2001: 2).

Another process of "branch establishment" is exemplified by the trade cooperations that developed in the 16th and 17th century and showed many hallmarks of modern organizations. As the greatest profits could be made in long-distance trade, trade cooperations often established branch offices in America, Asia and Africa, which were protected by military means. Unlike in 14th- or 15th-century Venice, for instance, when merchants merely sent trustworthy relatives abroad, large trade cooperations such as the Hudson Bay Company, the Royal African Company, the British East India Company and the Verenigde Oost-Indische Compagnie were founded, which had a great number of branch offices at their disposal and were thus able to disseminate the pattern of organization.

The expansion of colonization also resulted in a surge in the number of "political branches" established in America, Asia and Africa. In addition, the growing regional expansion of the colonial powers rendered the administrative structure more professional. Prior to the beginning of World War I, Europe held some 85 percent of the earth as colonies, protectorates, dependencies, dominions and commonwealths, as compared with a mere 35 percent in 1800. By 1878, the proportion held was 67 percent (McNeill 1984: 29ff.). The colonies were increasingly ruled by administrative authorities who regarded themselves as instruments of the controlling nation.

The societal formations that the colonial powers encountered had a major influence on the process of organizational diffusion triggered by colonialism. When taking possession of Australia, Central Africa or the islands of Central America, branch establishments met with "primitive" or "advanced primitive societies," to use the terms of Talcott Parsons (1966). When expanding to China, India or the Islamic empires, branches of the colonial powers encountered societal formations that not only had developed a high degree of societal complexity but also showed signs of having formed organizations of their own.

In this early period, branches dealt not only with other organizations but also with tribes and other social entities. As long as the profit strategies of companies were based on purchasing products at a good price, it did not make any difference whether these products were supplied by tribes, kingdoms, individual traders or other enterprises. What counted was achieving a maximum margin between purchase price and sales price.

Political branches, too, established sub-units. However, these sub-units were not intended to facilitate a further expansion of the principle of organization but rather reflected the idea that one should fall back on the principle of "indirect rule" in order to secure the colonies. "Indirect rule" regarded "native institutions" as an "integral part of the administrative machinery" (Lugard 1965: 207) and advocated the "employment of the existing institutions of the country for all possible purposes to which they are adequate," according to Julian Huxley (1931: 103).

The Diffusion of Organization by "Contact Infection"

With the end of colonialism, branch establishment with respect to organizations lost its central importance but did not disappear altogether. When decolonization started at the end of World War II, administration authorities, armies, universities, schools, legal institutions and religious organizations could no longer be seen as branches of Western master organizations.

But how did it come about at that time that organizations strongly resembling those of the former mother countries were developing in the newly founded nation-states? The explanation offered by neo-institutionalism is that the principles of the "world polity" subjected the newly established nation-states in Latin America, Africa and Asia to a comprehensive standardization, and the nation-states could obtain legitimacy only by forming democratic parties, bureaucratic administration authorities, armies, universities and schools based on accepted cultural blueprints (Meyer 1992: 265ff.). While there is much to be said in favor of this explanation, it does not explain how this process proceeded in detail. My argument is that organizations came into being in the recently founded states because the organizations in the former mother countries could communicate only with entities similar to themselves. This process of organization formation can be described as "contact infection."

The process of contact infection can be clearly seen in social science research on management modes (see also Strang and Meyer 1993). Organizational research has meanwhile acquired a good understanding of the way in which ideas, techniques and practices diffuse among organizations. Studies on the dissemination of ISO standards, the concept of lean management or the concept of "capacity building" widely known in foreign aid were able to show the speed at which new concepts of "good management" spread in an organizational field. Also, there are fairly clear hypotheses about the role of "institutional entrepreneurs" such as management consultants or experts from science in this process of infection (DiMaggio 1988). However, in its focus on management modes, organizational research has overlooked the fact that it is already the basic process of organization formation that very frequently takes place through contact infection. Organizations develop because organizations can best communicate with other organizations.

The development of public administration authorities in developing countries is an example of this kind of contact infection. The principle of public administration previous to the colonialization had been unknown especially in Africa, but also in some Asian countries. In many countries, the rudiments of an independent administration did not develop until the final years of colonial rule. While the standard explanation of this phenomenon maintains that public administration authorities emerged in developing countries because they were the most efficient mechanism of government, there is a lot to be said in favor of the argument that public administration authorities were formed because they represented the only adequate points of contact for Western organizations.

Research mainly focuses on transnational enterprises operating branches in developing countries (Herkenrath and Bornschier 2003) but tends to overlook a process of organization formation that is growing in importance.

The increasing exclusion of value-adding processes from large corporations resulted in a situation in which suppliers had to provide these processes. These suppliers probably established themselves as such not only because being an enterprise is the most efficient form of value-adding, but also because enterprises can best communicate with other enterprises (regarding China, see Tsai 2003).

The phenomenon of contact infection also provides at least a partial explanation of the explosive increase in the number of NGOs in the 20th century. It is difficult both for Western and for Southern organizations to communicate with amorphous creations such as the "target group of impoverished women" and the "Landless Movement," to say nothing of "civil society." For this reason, the development of NGOs should be seen not only as a "grassroots" organizational phenomenon but also as a process of organization formation that resulted from the "demand" of existing organizations for associations capable of acting.

According to Bronislaw Malinowski, contact infection should not be pictured as a passive process in which a virus descends upon a social creation; contact infection takes place through a process of active acquisition. An idea, form of work or technique must be taken up actively by the participants, as Malinowski pointed out in the diffusion controversy: there was no other way in which an idea could diffuse in a social system (Malinowski 1927).

In addition, I contend that organizations that develop through contact infection permit organizational patterns to show a higher degree of variability and especially a more rapid variability than organizations whose formation is attributable to the creation of branches. Branches often maintain the structure of their mother organization. In many cases, the "command center" continues to control the branch for an extended period of time and impedes the formation of unique patterns of organization. Variations develop at a rather slow pace, as we can see in the examples of religious orders splitting away from the original institution or branches of an enterprise becoming independent. In the case of organizations developing through contact infection, on the other hand, a higher degree of variability occurs already in the process of acquisition.

3 THE PRODUCTION OF ORGANIZATIONS AS THE RESULT OF FOREIGN AID

In an instructive thought experiment, John W. Meyer, John Boli, George M. Thomas and Francisco O. Ramirez contend that, if a previously unknown island society were discovered, it would soon establish itself as a nation-state, which would then be recognized by other states and join the UN. The island would regard itself as a national economy and adopt international trade arrangements and globally standardized calculation procedures.

Organizations oriented toward organizations in other nation-states would develop in areas such as politics, the economy, education, science and medical care. The island inhabitants would become citizens with individual civil rights (Meyer et al. 1997: 145ff.).

Meyer et al. also note that international aid organizations would soon show an interest in the island society and offer "development cooperation." Training courses on the island or abroad would give the elites of the island an opportunity to get to know opportunities for reform, and advisers would support their endeavors to implement reform projects. Furthermore, internationally proven evaluation measures would be made available to assess the efficiency of reforms (Meyer 1997: 164f.).

We can elaborate on this idea by looking at the history of foreign aid organizations and identifying patterns in their stance on the issue of organization-building in the target countries.

The Product of Foreign Aid: Organizations

The most important aid organizations in the first few decades after World War II presumed that their work primarily consisted of major education and information campaigns; the creation of a modern infrastructure; literacy programs; family planning programs; the construction of embankments, power stations, highways, railways and bridges; the construction of waterworks, sewage plants and plumbing installations; the construction of large, ready-for-occupancy facilities such as cement plants, hospitals, schools, hotels, sea ports and airports; the creation of health centers and livestock breeding farms in rural areas; assistance with the development and extraction of mineral resources and the provision of seeds and agricultural expertise.

Besides the information and education programs and the infrastructure measures cast in concrete and steel, foreign aid also produced organizations. Apart from the branches established by colonial administration, numerous modern types of organizations have developed in Asia, Africa and Latin America since decolonization. In many countries, decolonization gave rise to an independent legal system with autonomous courts of justice, public prosecutors and large law offices. Many developing countries also built their own universities, research institutes and political organizations (ministries) after the demise of the former colonial power.

In the early phase of foreign aid, the major aid organizations tended to regard the buildup of organizations in developing countries as a means to an end. According to their logic, the establishment of an administration was the only way major investment projects could have a lasting effect. USAID may have constructed a big electric power station in India without national involvement for the most part, but the operation of the power station required the establishment of an energy supply company that was in charge of running the electric power station, selling electricity and levying electricity charges. While the aid organization of the former GDR could promote the construction of a railway route between two Vietnamese towns, local organizations had to be set up when it came to managing rail traffic, looking after the rail network and repairing the railway engines and goods wagons. Hence, in the early phases of foreign aid, the formation of organizations following the Western example was more or less a by-product of the infrastructure measures proper. However, it is almost impossible to overestimate the significance these by-products had for the development of those countries.

It was only as a result of an increasing number of people coming into contact with organizations that the process of modernization described by Parsonian scholars such as Bert F. Hoselitz (1960) and Marion J. Levy, Jr. (1996) could start. Contact with and involvement in organizations tends to replace affective orientations with affective neutrality. It tends to water down whole-person orientation in favor of specific role orientation, and people learn that they are treated exclusively as a patient, a student or a buyer. Furthermore, it weakens ascriptive orientations along family or ethnic lines and replaces them with achievement orientation (for basic information on pattern variables, see Parsons and Shils 1951: 76ff.).

It is an irony of foreign aid that many of the organizations founded through development cooperation showed greater persistence than the highways, waterworks, railways or health centers for whose operation they had originally been established. In Middle Eastern countries, government-run water-management authorities with a payroll of several thousand employees continue to exist even after the waterworks, sewage plants and water networks have been swallowed up by large water conglomerates. Cooperatives of cotton pickers initiated by foreign aid organizations continue to exist as organizations even after the modes of production have undergone drastic change. Livestock breeding projects may not have the desired effect of reducing worker migration, but may strengthen the district administration through the building of new police stations, prisons and post offices (Ferguson 1990).

From Latent to Manifest Function: The "Organization Issue" as a Program

As a result of the penetration of organizations into the different domains of society, individuals' economic, political and legal existence has become dependent on the functioning of formal organizations. For instance, opportunities for subsistence economy have dwindled, and wage labor for organizations is the almost universal form of subsistence. Similarly, as recent developments in Zaire, Somalia and the Gaza Strip have shown, the collapse of a formal government and legal system is more likely to give rise to an anarchic situation than to the recurrence of older forms of rule and conflict resolution.

Thus, in the 1960s and 1970s, attention in foreign aid focused increasingly on the "problem of organization." The concept of institutional development fueled hopes that specific measures of organizational development might strengthen existing local administration authorities in the developing countries. As a result of the concept of new institutionalism, which became popular in the 1980s, private for-profit and nonprofit organizations became more and more involved in measures aimed at strengthening organizations. Since the 1990s, the concepts of capacity building and capacity development have increasingly focused the attention of foreign aid organizations on the prevailing conditions of organizations (Kühl 2009).

We cannot help noticing that administration authorities in developing countries did not simply copy the structure of public administration in industrialized countries—in particular, in the first decades of their existence. The mission of developmental administration was not confined to implementing national political guidelines; developmental administration was to be the means by which an "enlightened minority" would transform local society into a modern state (Turner and Hulme 1997: 12f.). Also, government plans were to be implemented with the aid of developmental administration in order to achieve the development aims laid down in cooperation with the major aid organizations (Riggs 1970: 6f.). A look at the ministerial and administrative structures of developing countries in Asia, Africa and Latin America shows that—contrary to what neo-institutionalists believe—these were not exact copies of the respective agencies in industrialized countries. They differed from their Western counterparts in that they had established ministries of planning and special authorities of developmental administration as central points of contact for the aid organizations.

The different role of the ministry of finance in industrialized countries vs. in developing countries is another example. In industrialized nations, the primary task of the ministry of finance is to implement tax legislation and allocate tax revenue to the different specialized ministries. Specialized ministries such as the ministry of education and the ministry of agriculture are in charge, overall, with respect to the contents of such functions. The ministry of finance has considerable bearing on the specialized ministries. Although the structural adjustment policy prescribed by the IMF and the World Bank called for the withdrawal of governments from active development policy, the international and national aid organizations continued to be in need of functioning channels through which their development funds could be expended. Consequently, as a result of activities of the World Bank or national aid organizations, the ministry of finance assumed a powerful coordinating role in many developing countries that extended to the special areas belonging to specialized ministries, such as the ministry of education or the ministry of infrastructure (Mkandawire 2003: 19).

To sum up: The organizations being formed in developing countries are not simple copies of Western models. The differences between administrative and ministerial structures in industrialized countries and those in developing countries are mainly attributable to the fact that organizations committed to the "development" of countries in Asia, Africa and Latin America were established in industrialized countries. Or in other words: It is for the very reason that there are driving forces behind a global homogenization of organizations that variations emerge between organizations in Western industrialized countries and organizations in developing countries.

4 FORMALITY AND INFORMALITY: THE ENCOUNTER BETWEEN TWO CONCEPTS OF INFORMALITY

If neo-institutionalists are correct in assuming that organizations in world society are becoming increasingly similar and relations among organizations are shaped by worldwide patterns, it should be possible to transfer an organizational form to other contexts. What would happen if a Western administrative organization—with its members, internal lines of communication, and purposive and conditional programs left unchanged for the most part—were transferred to another country? How would this organization fare in the new context?

Because of their dissatisfaction with the way development measures were carried out by the national, regional and local administration authorities, the principal donor organizations set up organizations for the absorption of their funds that were similar to Western organizations with respect to personnel structure, lines of communication and program structure. These organizations were expected to better manage the balancing act between being geared to the standards of the donor organizations and adapting to local conditions than national administrative structures.

In many developing countries, these organizations exist in the form of social funds or project implementation units. These organizations are frequently characterized by a high degree of financial independence vis-à-vis their national governments, a large percentage of foreign staff in executive positions, pay levels based on the standards of international organizations rather than local custom, and an organizational structure oriented toward other project management organizations in developing countries rather than toward national administrative structures.

The experience gained with social funds and project implementation units suggests that a transfer of Western organizations to developing countries would come up against limiting factors. We can assume that communication difficulties would arise, in particular on the interface between transferred organizations and other organizations in developing countries.

"Informality I": Informality as Response to Contradictory Demands

Niklas Luhmann developed the classic concept of informality (Informality I), which captures the occurrence of "useful illegality" within organizations. According to Luhmann, any organization attempting the outright enforcement of its formal order and the effective forestallment of deviant or "illegal" acts would run into significant problems of adaptation. The organization would find it hard to adapt to a changing environment that eludes its control and to handle the contradictory demands placed on it. Thus, the survival of the organization requires "an order to be established that is relatively independent of the formal organization" (Luhmann 1964: 304f.). This informal order will be used to solve problems that cannot be addressed by formal means but are crucial to the success of the organization.

The two sets of order differ in that compliance with formal demands can be enforced by invoking the rule of membership: Anybody who is caught in violation of formal demands jeopardizes his or her membership status (Kühl 2013: 94ff.), and thus members must continually consider the question "Can I remain a member if I openly reject this or that unreasonable demand?" (Luhmann 1964: 40). On the other hand, informal expectations are not as clear-cut and subject to straightforward enforcement, and they must rely on informal sanctions as a response to violations. In the event of conflict, organizations should ensure that their own actions are in agreement with the formal structure. Anyone acting in obvious violation of the formal structure of an organization risks being out on a limb in an escalating conflict (Luhmann 1964: 69; see also Kühl 2013: 115).

This type of informality is similar to what comparative political science calls "complementary informal institutions" or "accommodating informal institutions" (Lauth 2000: 25; Helmke and Levitsky 2004: 728). The informal order does not substitute for or compromise the formal order. For instance, we can assume that the *blat* system (a system of informal exchange of services) of the Soviet Union was not originally aimed at giving elites a chance of personal gain at the expense of organizational performance. Rather, *blat* networks aimed at getting hold of raw materials, machines and spare parts that were indispensable to achieving the targets and standards of a planned economy but unobtainable by formal means (Berliner 1957: 324ff.).

Luhmann points out that life in organizations is characterized by a permanent switch between formality and informality: People think about whether to personally and immediately take note of a piece of information or to relegate it to "official channels." Either you can turn down a verbal request from another department and ask the other side to go through official channels, or you can act like a good colleague and informally deal with the request. You can formally discuss an issue with your superior, thereby risking an official refusal, or you can have an informal talk about the matter with him or her to give yourself the chance to come back to your request at a more favorable moment (Luhmann 1964: 117; Kühl 2013: 128ff.).

We can observe this "Informality I"—or "contained informality" (Holzer 2006: 261)— in foreign aid organizations. Foreign aid organizations controlled or partly controlled by the government may formally portray themselves as profit-oriented banks or other enterprises. However, their success in fact depends less on maximum profits and more on what Meyer and Rowan call "institutional legitimacy"—successful adaptation to the institutionalized expectations of their environment, which is made up of ministerial bureaucracy, the media and action groups of development policy (Luhmann 1964: 119; Meyer and Rowan 1977: 341). The balance between official goals and the accommodation of changing institutional demands must to a large degree be accomplished by informal means. As Luhmann notes, creating the impression that a bank is "trustworthy," that an authority has a "sense of the law" and—in the same vein—that a foreign aid organization delivers sustainable efficiency requires a high degree of "tactful cooperation on behalf of the overall picture; while formal expectations have given an outline to this picture, they do not suffice on their own to turn it into a reality" (Luhmann 1964: 122). Organizations situated in this way come close to the ideal of a "hypocritical sanctimonious organization" (Brunsson 1989: 29ff.).

Apart from this well-known "Informality I," there is a second type of informality, which is particularly conspicuous in organizations of developing countries.

"Informality II": Informality as Incomplete Boundary Maintenance

The worldwide "success story" of organizations is built on the principle of role separation (which, although it predominates in modern society, was uncommon in earlier societies). An individual's role as a member of an organization is institutionally separate from all other roles the member may perform. According to Luhmann, this means that a status from outside the organization cannot simply be transferred to the organization: "Fathers, first-born children, home-owners or centers-forward do not enjoy privileges in the organization on account of this external status although a high status in the outside world may well bestow prestige, connections and influence on a person" (Luhmann 1964: 65). At the same time, role separation enables members to "reject inappropriate demands" (ibid.). Upon joining an organization, the member is required to abstract from personal obligations he or she may have in other roles or contexts outside the organization, and he or she can reject demands made on him or her "at work when [he or she] is approached as a relative, a lodge [member], a party member or a holiday acquaintance" (ibid.).

Unless role expectations made on the members of an organization are separated from personal expectations addressed to them, an organization cannot be an autonomous social system in its own right, a "legal entity." It is the issue of boundary maintenance that is at stake here: The organization must ensure (a) that members' actions are seen as representing the organization and are not perceived as personal acts of individuals and (b) that commitments taken on by the organization will hold, even upon the death or retirement of the member who originally signed them (Luhmann 1984: 430f.).

From this angle, the hallmark of many organizations in developing countries is the insufficient dissociation of formal membership from other roles, leading to the dominance of informal over formal commitments.[2] For instance, in many cases communication takes place not through the official channels laid down in the organizational chart but through networks of family, ethnic groups or friends. Of course, similar processes can also be detected in Western organizations (Dalton 1959). However, in cases of conflict, Western organizations usually stick to formally prescribed channels of communication and decision making rather than to informal channels, and members who have shown a preference for informal byways are expected to declare their adherence to the formal structure of the organization. In developing countries, informal channels prevail in many cases, and there is a much more relaxed attitude toward the primacy of official channels and competencies, resulting in a kind of "topsy-turvy world" based on "unbounded" instead of "contained" informality (Holzer 2006: 271; Chapter 3, this volume).

Similar things can be said about the programs and goals an organization pursues. Deviations from official program structures occur in organizations both in developing countries and in industrialized countries. But here, too, deviations are treated quite differently when they are made public. While in Western organizations anyone departing from the organization's official course has to acknowledge that he or she made a mistake and promise to mend his or her ways (Luhmann 2000: 258f.), even significant deviations from official program structures may be acquiesced in developing countries, and major abuses of organizations and organizational positions may be shrugged off as just the "way things are."

Thus, we can say that organizations in developing countries are frequently marked by incomplete boundary maintenance: Behavior of members is only partly determined by organizational regulations and can be strongly aligned with extra-organizational needs and demands. For example, in opposition to formal rules, a town council clerk may not turn up for work every day of the week, although there may be an unwritten law that he should work at least three days a week. In rural areas of West Africa, a teacher may not be in the classroom during lessons, but he or she will adhere to the informal rule that the pupils must be given assignments during the teacher's absence to keep them busy.

Social science literature has called this phenomenon "competing informal institution" or "conflicting informal institution" (Lauth 2000: 25; Helmke and Levitsky 2004: 728f.). In competing informal institutions, the formal rules of an organization are enforced only to a very limited extent, so that the members of the organization can pursue their own objectives, which may be incompatible with those of the organization. The demands made by persons outside the organization (e.g., relatives, friends, or members of other organizations) outweigh those of the organization and may result in corruption, personal gain or patronage.

Such informal network structures cut across and thwart organizational structures, and often come close to outright corruption. Different parts of the world have different terms for them. In the Middle East, the term *wasta* is used to describe networks and favors among relatives, friends and acquaintances. Involvement in *wasta* is taken for granted, and those engaging in it make sure that the "*wasta* account" of the participants is balanced in the long term and that favors granted by strangers are paid for in kind (Cunningham and Sarayrah 1993). In Central and South America, this principle is called *confianza* and is used to describe relations of trust in which an informally provided service is not paid for immediately (because that would be tantamount to bribery) but compensated for in the long term (Lomnitz 1988). In China, *guanxi* denotes networks of individuals established over longer periods of time, of which people avail themselves to obtain services or products (Yang 1989; Guthrie 1998). In Sub-Saharan Africa, a specific combination of patronage networks and government-controlled organizations emerged after decolonization. Elbaki Hermassi expressed in slightly exaggerated terms that "putting society under state control" led to a "privatization of the state." Greater state control, according to Hermassi, did not strengthen public resources, but rather consolidated networks providing profitable sources of income (quoted in Lemarchand 1988: 156).

From a systems-theoretical point of view, these phenomena result from insufficient boundary maintenance in organizations. The demands organizations make on their members have been formalized only to a limited extent, and the organizations have not succeeded in making it mandatory for their members to comply with formal demands as a condition of membership (Luhmann 1964: 60). There is hardly any causal relationship between the actions of an organization member and the question of whether or not he or she can continue to be a member of the organization (Rottenburg 2002: 41). The problem is that organizations in which membership is subject to very little or no autonomous control have to accept a loss of control capacity. Organizations' autonomy hinges on their ability to formalize behavioral expectations and tie them to the question of membership. If they fail to establish this connection, they fall prey to external, uncontrollable forces and practices.

Informality Between Organizations

Informality occurs not only within the organizations involved in development cooperation but also in their interrelationships, particularly in negotiations between Western foreign aid organizations and the receiving organizations in the South, as well as consulting firms in charge of project implementation. Richard Rottenburg (2002; see also the English translation 2009) has pointed out that negotiators alternately use official and informal scripts, depending on the negotiating situation. Foreign aid is officially aimed at implementing projects precipitated by needs that local authorities have identified. However, this relation is often unofficially reversed, and projects basically follow the rules and standards established by Western foreign aid organizations. Furthermore, according to the official script of development cooperation, consulting firms usually act as contractors of the receiving organizations in the South. However, the informal script often has it that consulting firms are treated as recipients of instructions from Western aid organizations (Rottenburg 2002: 214ff.).

These informal scripts and informal reversions may introduce considerable distortions and complicacies for participating organizations. However, due to their informal nature, these problems cannot be addressed openly in negotiations, and neither Western foreign aid organizations nor receiving organizations in the developing countries can systematically reflect them in their negotiation strategies. This is because whenever arduous issues are addressed, either party can invoke the official script, thereby discrediting informal practices and connected problems as unacceptable deviations from the rules and regulations. Discussion of informal processes can take place only in the protected space within an organization, and even then any participant can halt the discussion at any time by invoking official regulations.

As a result of these difficulties, foreign aid organizations—quite in contrast to their self-portrayals—should be seen not as learning organizations but as organizations with a pronounced resistance to learning (Kühl 2009). Between (on the one hand) pressure to maintain the façade of an organization that adheres to the rules and (on the other hand) pressure to maintain the necessary informal practices, a vacuum develops that impedes learning and rational reaction to crucial problems.

The preceding discussion of different forms of informality in and between organizations shows the usefulness of a systems-theoretical approach to organizations and their global expansion. The analytical instruments that systems theory offers are more refined than the neo-institutionalist concept of decoupling. Neo-institutionalists do emphasize that formal structures and actual activities diverge, but this divergence is taken to be a more or less universal feature of organizations as well as of states. Decoupling is assumed to be more pronounced in developing countries, which may lack the resources to adjust their real, day-to-day activities to conform to formally prescribed models, and which may be forced to adopt models that originated in other places and other social contexts. But the difference between organizations in Western countries and developing countries is seen as a mere difference in degree—as strong or not-so-strong decoupling.

Systems theory, on the other hand, conceptualizes the difference between typical styles of informality in Western and non-Western organizations as a qualitative difference: as the difference between supplementing vs. competing informal structures, or as informality precipitated by the non-formalizable needs of the organization vs. by openness for and defenselessness against demands from other, non-organizational contexts.

5 PERSPECTIVES OF RESEARCH—ORGANIZATIONS IN WORLD SOCIETY

For a long time, organization research was extremely hesitant to establish links with the theory of society, but since the 1990s a "return of society" has taken place in organization research. Following in the footsteps of Max Weber (1976), some scholars have attempted to gain a deeper understanding of modern society through an analysis of organizations. However, this "return of society" means that the term "organization" is becoming increasingly indistinct. This is evident in the debates about the "dissolution of enterprise" and the "erosion of boundaries between inside and outside," in which the subject of organization research seems to just melt away.

W. Richard Scott, James March and Johan Olsen, all of whom originally started out as organization theorists, clearly belong to those who promote the dissolution of the concept of organization into concepts such as institution or network (Scott 1987; March and Olsen 1989). Similarly, the concept of "world culture" seems to be increasingly indifferent to whether this world culture is enacted by individuals, organizations or states, and organizations are increasingly portrayed as mere "franchises" of world culture or of "subsystems" of society. The erosion of the term "organization" is reflected in the use of the term "informality." Discussion of "informal sectors" (Castells and Portes 1989) and "informal institutions" (North 1990) increasingly omits the transition from the analysis of organizations to the analysis of society. Especially in political science, but also in sociology, the concept of informality stands for any type of deviation from rules and regulations.

From an empirical point of view, I do not subscribe to the view that organizations in Western Europe and North America are experiencing a general tendency toward dissolution or the weakening of their boundaries. Organizations are redefining their boundaries, acquiring new spheres of action by purchasing other organizations, or getting rid of fields of activity. The boundaries of organizations are managed with greater intensity than ever before (Kühl 2013: 43ff.). There are not many convincing arguments that support the view that organizations are indifferent to what is inside and what is outside of them, or that an organization leaves it to its members to decide to what extent they feel bound by its rules and regulations.

However, this does not mean that the approaches mentioned above are generally mistaken. In my opinion, terms like "dissolution of organization" and "blurring of boundaries," and the blurring of the terms "informal organization" and "informal institutions," are quite appropriate when applied to organizations in developing countries, where there are clearly tendencies toward incomplete boundary maintenance. For this reason, at the level of society as a whole there is a fluid transition here to a profusely growing informality of organizations and to the structures subsumed under the term 'informality.'

Modernization theory was predicated on the assumption that these "blurred" and only partially delimited organizations in developing countries were bound to become decent organizations with well-established boundaries, mirroring their models in the West. This hope has been dashed for the most part after five decades of experience with foreign aid. We can safely assume that organizations in developing countries will remain distinct and require different descriptive formulae compared to organizations in industrialized countries.

We need an analytical approach that is equipped to describe the differences between those types of organizations and does not assume the unilateral diffusion of Western-type organizations to developing countries. Then we can ask the further question of what happens at the contact points between organizations of the West and of the South. The issue of whether we are witnessing a "Westernization of the South" (Sachs 1992) or a "Brazilianization of the West" (Beck 1999) in the long run will be decided at least in part by processes taking place at these contact points.

NOTES

1. Concerning the concept of decoupling, see also Chapters 3 (Holzer), 12 (Besio and Meyer) and 14 (Koch) of this volume.
2. See also Holzer (Chapter 3, this volume).

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