

CHAPTER 5

Agency vs. Structure: A Problem in Search of a Solution

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Abstract: Our assumptions about the nature of individuals will have great influence on our choice of method to study them. And the choice of method will lead to confirmation of the assumptions! Are we agents creating our own future or are we prisoners in a web of rules and regulations? I propose a study of communication in meetings to understand how agency and structure work.

Keywords: agency theory, regulation, communication, meaning in context

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Introduction

This chapter takes up the age old social science problem of whether individual agency or social structures have the upper hand in controlling our behavior and social processes. This is not a trivial question; one could not dismiss it by saying that both are at play all the time. Which perspective one applies will determine our choice of theory as well as method of data capture. Also we must avoid contradiction in our explanations – the death knoll of scientific endeavors.

I will begin by illustrating the issue through an imaginary debate on the virtues of regulation – a hot topic in these post-crisis times. Regulation is an example of structure asserting its controlling influence. I go on to point out that organizations are controlling structures and show how our ontological assumptions control our choice of method, which, in turn, tends to generate confirmation of our ontology.

I then introduce the notion of communication – ‘doing things with words’ – and try to illustrate how communication may build structure as well as identity. Feeling unable to solve all problems of agency or structure in this text, I end by pointing out some studies that might help us towards finding solutions.

Regulation as seen from a perspective of agency or structure

This is a time when regulation is being debated in most countries. Some believe that less regulation will save us, others that we need more regulation to control those who would otherwise deviate from ethical and professional behaviour. “Look,” say the latter, “the de-regulation of the financial sector brought us the financial crisis with thousands and thousands of lost jobs throughout the world!” “You have misunderstood how markets work,” say the former, “It is the regulations that provide opportunities for arbitrage (seeing that an asset is given a higher price in one place than in another and finding ways to transfer assets at a profit).” “Show me one efficient market in the real world,” say the believers in regulation, “and we will believe you! The most “efficient” market in the world

in your rhetoric is probably the New York Stock Exchange! Look, it is the most regulated market you can imagine, every detail is regulated, only a few traders have access, there are hordes of certified middlemen. Regulation through and through!” “Well,” say the believers in free markets, “it is the global market that counts now. It should be free to trade and take advantage of the differences in prices and eliminate waste in the process. Free markets have made the poor of the world much better off during the last 150 years.” True that capitalism has made people in general better off says Deirdre McCloskey (2010), but it is because of innovation, the dignity and liberty to pursue ideas and to talk to each other about the possibility of improvement. Most innovations have been financed by credit rather than investor infusion of equity. So it is fair to say that there has not been any period in the world with such progress for the citizens of the world as under capitalism. But is capitalism a “system” or is it because of individual agency that those gigantic steps forward, called the Industrial Revolution, have been taken?

The core of that system is non-regulation and freeing the initiative of the individual to pursue a better life. Granted that some will fail, and some will suffer, but we have the resources to compensate for that and provide an opportunity for a new start. “Nonsense,” say the believers in regulation, “There is no such thing as equal opportunity. Most people play against a stacked deck of cards. We need regulation to provide something like an equal opportunity!” Still, some people make it against the odds! Some people can change the world by their initiative, resilience and charisma (Weber’s term for leaders who have the ability to break with structures).

Or, take another area where most of us feel concerned. The environment is deteriorating and pollution is causing a decline in climate that will continue for a long time even if we manage to reverse the trend. Everybody can and needs to contribute to cleaning up this mess, but nations seem unable to reach agreement on the necessary measures. The lobby for economic growth is stronger than the lobby for the survival of the world as we know it. Could individuals achieve what nations and structures cannot?

There is a choice

There are many areas where the individual is struggling against the control asserted by structure. Our own area of study is implicated. We study organizations, which by definition oblige members to behave according to the rules of the organization. When you are a member of an organization you are bound by the formal and informal bonds that constitute it and membership in it. You are employed to work for the good of the organization rather than for your own benefit (even if a nice salary does not hurt). Organizations are structures that limit and harness the agency of individuals. But structures can be designed and re-designed to better support the common efforts of members. How should we deal with these issues when planning our studies? Should we start with assumptions about the nature of the individual (like, e.g., agency theory does); that the individual is selfish and irresponsible and therefore can only be controlled by rewards and punishment? Or should we assume that individuals are social creatures who enjoy doing things together; that they can be trusted and relied upon to solve emerging problems? No, individuals are different! If that is the case, what does that mean in terms of selecting the right person for the job (who will stay there for ever)? Or can people change by learning, and do they learn not only when things go well but also from adversity? So, the problem is to design a learning organization, then! With learning individuals in it! *Panथा rei!* (Everything flows). No fixed point to start from. This discussion is about ontology (what we think/understand the phenomenon we study consists of).

Examples of how ontological assumptions determine what we should do

The most common assumption in organization studies is that the individual is a rational decision maker. This assumption includes, implicitly, that decisions are carried out as intended by the decision maker. (We all know that things almost never turn out as intended.) The criteria for rational decision making is that one must have:

- One goal (usually some profit measure), several contradictory goals is a sign of irrationality.
- Full information of the future consequences of the chosen decision (which we know is never fulfilled – and expectations are not full information)

Then the decision is a matter of calculation. One should choose the alternative with the best consequences according to the goal. If we choose such an ontology (that individuals are rational decision makers) then science becomes a matter of building models and justifying them by calculation (deductive logic).

Another assumption is that individuals, and therefore also organizations, are rule-followers. Here it is taken for granted that a regulatory structure, sometimes called the Principal, determines what we must do. A problem here is that the Principal is assumed to be risk neutral, not profit seeking, etc. Any alert citizen will notice that there is lobbying from all kinds of interested parties. They all try to influence the rule makers for the good of the environment or economic growth or the children or the poor or something else that is not properly cared for. And those lobby groups are also organizations. In the financial sector everybody is preoccupied with the new rules for banks negotiated by the Basel Committee (the new rules are talked about as Basel III, which implies that there have been earlier sets of rules (I and II) that did not work). It is, of course, necessary to assume that rules are going to be followed to justify efforts to make new, better rules. However, one should not be too optimistic, considering that the recent global financial crisis happened under a fairly new set of rules called Basel II, designed to avoid a global financial crisis. Will banks behave differently now, after having gone through the crisis – because of the rules or because incompetent managers have been replaced?

What we do see is a widespread use of ‘proper procedure’. You follow the rules to the letter and protect yourself from being blamed for the consequences of an action. Doctors follow “evidence based medicine” and are safe from being blamed for the consequences to the patient. Auditors have great times scrutinizing accounts following established procedures on, e.g., sampling, and cannot be sued successfully by angry shareholders whatever

the consequences. But they earn their money from consulting fees anyway. No audit firm calls itself 'audit firm' anymore. We live in an Audit Society (Power, 1997) and audits are not an exclusive product. Universities are evaluated for all kinds of certification nowadays. Now it is more important to update your homepage and register your publications in the right database than to do good research. Perhaps we are more rule followers than rational decision makers after all. Or are we professionals applying general knowledge to unique cases on the basis of professional judgment?

The choice of method is influenced by your ontology

The famous student of democracy in action, Robert Dahl (1961), created problems for classical political scientists by working from the ontological assumption that different people have different influence on different issues. Then it is only natural to study how political issues were resolved by case studies. You study the controversy about the new highway around the city and you find that different people were active in different phases of the process (environmentalists, shop keepers, financiers etc.). By choosing the case study method you can be sure to find things that confirm your ontology, and you may even find that certain individuals had a considerable influence on the design of the project.

Traditional political scientists, on the other hand, with their structural view, will assume that class membership or economic power will carry influence. It is only natural for them to design a questionnaire with questions like, "Who has influence in this town?" The answers will confirm that class and economic power carry influence. And the results are statistically significant. They will criticize studies of Dahl's type because it is not possible to generalize from one case, or even three or five. Dahl's response is that this is a carefully studied case consisting of facts from the real world, and it shows at least one instance where your structural assumptions were wrong. In accordance with your own beliefs about scientific inquiry this one case is enough to prove that your general statement about class and structure is flawed. And the methodological quarrel goes on.

Role theory is another case in question. Here two ways of understanding roles have been feuding for decades (Turner, 1985, claims that there is a promising rapprochement at present). One view of roles understands them as developing in the interaction between individuals. It is 'obvious' then that one has to study roles by observing the process of interaction between people. It also follows that role making is a focal concept. In a structuralist view of roles, on the other hand, it is the 'incoming' expectations that determine the role. What people expect of me, whether it be the boss or my children, is what my role is. If I have difficulties living up to those expectations I will experience "role conflict" and will not feel very well. With this view of roles it is quite natural to use surveys and questionnaires as the research method. In both cases, process studies or surveys, the researcher will tend to find confirmation of his/her ontological assumptions in the data. The ontological assumptions determine what questions you ask, and the questions you ask influence the answers you get.

Doing things with words!

If I were to stand in front of you up on the podium and say, "Stand Up!" you would probably stand up. And when I say, "Sit down!" you would feel relief as you were a little embarrassed to have obeyed my first command. Then if I shouted, "Raise your right arm!" you would probably start to wonder what was going on. The interesting thing here is that I could get a large number of people to stand up by using the words, "Stand up!" I could do something with words! But, I am sorry to say, some of the audience would not obey my command. This is because it is the hearer that determines the meaning of what is said. I can intend to make you all stand up, but it is really you who decide what will be the meaning of my words, and act accordingly. I can also bind myself to future action by giving promises. "Let's meet outside the cinema at 7 o'clock" generates a mutual promise to arrange a time so that we can meet up at the agreed place. By keeping promises we help others trust us. We build an identity as a reliable partner. Communication has organizing effects. Organizations develop their own particular ways of communication (Wittgenstein

would call it “language games”) with their own vocabulary and meanings. To become and continue to be a member I need to do membership work. I need (1) to attend to my identity as a competent person (who can deliver on promises), and (2) my contributions need to be aligned with the organization’s mission.

Literature exists on how to do things with words that in a way started with Austin (1962), who discussed what is required to formulate a promise (correct grammar), and the different ways of doing things with words (declaring a couple man and wife, giving a command etc.). Soon there was criticism. We have heard about the deconstructivism of Derrida who showed that a correctly formed sentence can be ‘undecidable’ as to meaning on the basis of the text itself. This led Cooren (2000) to discuss how the organizing effects of communication emerge from the hearer’s interpretation. The hearer puts our utterance into context by constructing a narrative that makes sense of it (like you, the reader, put this text into the context of your own project to see if it makes any sense). The typical form of a narrative is:

1. What animated the story (somebody wanted to do or had to do something)
2. What competence was required to do this (know what/ know how)
3. Doing (carrying out the task)
4. What sanctions applied (rewards and punishments)

When we put a statement into a narrative context we are satisfied when it makes sense (even if my understanding of what you say is completely different from what you intended).

In a later book Cooren (2010) focuses our attention on the first part of the narrative form: What animates us into action? Well, it is passion. Possibly not a great passion such as that seen in Othello, who killed Desdemona out of jealousy in Shakespeare’s play. Othello let himself be led by one passion. That made his action irrational – Iago’s misinformation notwithstanding. Rather it is smaller passions that tend to generate identity. If I am seen by others as a philatelist, my doing whatever it takes to get hold of that rare stamp makes sense, because I am a philatelist and

that is the way philatelists behave. Identity prompts us to do things (want to or have to in p.1 above). Passion is the animator of action in our narratives (perhaps there are others). We may also call upon a passion for duty in our statements. We let other things speak for us. For instance, when we say, “Due to company policy I cannot give you this information,” it is not I who refuses to give out information but company policy, and since I am a loyal member of the organization, company policy speaks for me. I could even seem sorry for the client who did not get the information, while saying no. Cooren (2010) calls the activity of letting other things speak for me “ventriloquism”. This phenomenon can be experienced very often in organizational conversation. The third interesting phenomenon in communication is “incarnation”, which could be seen as putting “flesh and blood” onto an abstract principle. We argue, for example, that in this particular case fairness means that X and Y should be done. The principle is articulated in its application to this particular case. Incarnated principles are, in due time, translated into practices. Practices can be seen as a form of structure.

From agency to structure via communication

We can summarize the discussion through the claim that communication is the key to organization and, possibly, the solution to the age old problem of agency vs structure in social sciences. Cooren (2010) argues that it is misleading to think of communication as something that takes place in organizations. Better to realize that communication constitutes organization. It is through the commitments, promises, commands, etc. we produce by communicating that organizations are created. Three friends who agree to meet outside the cinema at 7 o'clock to see a movie, by way of coordinating their activities during the day to be able to meet up at the agreed time, constitute an organization albeit 'loosely coupled'. To a large extent it is verbal communication that holds organizations together. One might object that it is rather a matter of contract. I beg to disagree. What contract makes me write this text? I am participating in this seminar since my friend Frode and his friends here in Kiev invited me, and I represent a research institute in Gothenburg even if I am formally retired. It

is a matter of communication. The interesting part of this is that communication can be studied – especially when we realize that it is the hearers who determine the meaning of what is said. We do not have to investigate the minds and intentions of speakers. Instead we can register what is said and elicit the help of hearers for interpretation. If I record what is said in a meeting, and play that recording back to the participants asking, “What is going on here?” their comments will reveal the structures at play in that meeting. It will also reveal that people in meetings misunderstand each other all the time, but that is another matter.

The revelation of structure will appear in the “things/figures” that are mobilized in communication. The references to structure may be, to take an example, “Due to company policy we must make this information public.” By making that statement, an employee of the organization lets the structure (company policy) speak for her, but she also marks her loyalty to the organization and its policies. Another example may be that a person says, “In the name of justice I have to report this to the authorities.” That person refers to a virtue (justice), which is incarnated in this particular situation. The report to the authorities embodies the virtue even if the reporting may turn out to be against the interests of the organization. The person speaks for the virtue by whistleblowing. In both cases agency refers to structure in the form of “figures” (company policy and justice) that constitute a structure that is maintained and reinforced by the very act of reference. Yet another illustration: By arguing that “in order to keep within budget limits we have to cut costs,” a speaker signals the subordination of costs to budget goals. By nodding agreement, the other members in the meeting will confirm this structure (and act accordingly).

But there will be polyphony in any meeting. Many “figures” may be mobilized by different people. Many voices will be heard at the same time, as well as many interpretations of the same statement. Two ways of dealing with polyphony may be suggested. (1) The first is to see which interpretation (and therefore configuration of “figures”) is confirmed in consequent action. Members of the organization will “act out” what has been agreed in verbal communication. Action will reveal which structure was implied when it was mobilized in communication. (2) The other is

to use theory to sort out and decide what are the most relevant figures. A contingency theory of strategic action may propose that some parts of the organization's 'structure' may determine what strategic decisions are taken. A recorded discussion in a meeting can thus be coded on the basis of hypotheses concerning such a strategy theory, and the theory could be tested by the frequency and emphasis of references to those factors.

There is a problem with the recording of communication in organizations that relates to the fact that each organization will develop a vocabulary and even a grammar that may be difficult for outsiders to understand. The language itself may get in the way of proper understanding. This can only be remedied by spending enough time in the organization to learn. This is what anthropologists have been doing for a long time.

Another problem is to get access to important meetings. True, but there are meetings that are open to the public, like city council debates. That is a start. My own experience is that once you have been allowed to record meetings in an organization, members realize how valuable it is to understand, and discuss how misunderstandings can be avoided (Jönsson, 2004).

Finally there is the problem of ethics. Personal integrity and business secrets must not be compromised. The very fact that most communities have codes of conduct concerning ethics in research creates a problem, because they usually require that the participants in a meeting to be recorded must be informed of their right to withdraw at any time and of the commitment of the researcher to keep within the rules set by ethical research. When this is put into writing to be signed by the participants they will start thinking about possible mishaps, and they will draw the conclusion that it is best to avoid such risks by denying access. I would probably agree – unless the researcher is trusted – aha, agency or structure again!

What kind of studies can take us further?

Market making is an interesting phenomenon. It used to mean that some actors in financial markets were focused on keeping a market liquid so that investors could turn assets to cash when needed and get a price on their assets for financial reporting purposes. Now we can see, from the

hearings in the US Congress after the recent crisis, that market making also means that it is acceptable to mislead clients (sell them sub-prime based instruments that you short at the same time, on the belief that they will default). This kind of double morality must be the result of holding two sets of principles alive at the same time while acting. Shadowing such actors to register how they adapt their rhetoric to the situation may generate insights into the agent's relation to structures.

Learning from experience is usually taken to mean that we act upon a problem and observe the results in order to do better next time in a similar situation. We may even have two kinds of learning: single loop (doing the same thing better), and double loop (learning to do things in another way). But how do we learn from the experience of others? The only way to communicate the experience of others would be through narratives. Cooren (2000, 2010) has made us pay attention to the structure of narratives, and it seems obvious that the beginning (have to do) and the end (sanction) of a narrative will teach us what values are related to the initiation and approval of action in this organization. Narratives that survive are likely to describe exemplary action, and thus can teach us something. A study, which captures narratives and analyzes both beginning and end, will show agents (initiators in narratives) and structures (sanctions in narratives) at work.

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