

Understanding the Nature of Transition of Organizational Forms in the Contemporary World

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Abstract. The aim of this paper is to display and comprehend the transforming character of organizational forms in the contemporary world. The paper first examines the main reasons for the change of organizational structures, which are ascribed to the transaction costs economics, the evolutionary economics, the institutional theory, and different characteristics of societies. Second, it deals with the basic model of transition that is labeled as the shift from Fordizm to Post-Fordizm. In this regard, the paper analyzes the nature of transformation from Fordist to Post-Fordist models. Finally, the paper describes the nature of international economy in terms of globalization and global expansion strategy.

JEL Classification Codes: D20.

Key Words: Assembly line, fordizm, globalization, mass production, post-fordizm.

1. Introduction

The paper is divided into three sections. The first section, titled the chief reasons for the change of organizational forms, briefly considers the transaction costs, the evolutionary economics, the institutional theory, and the characteristics of societies. The second section, titled the nature of transition of competition, examines the change from Fordizm to Post-Fordizm. In particular, it initially deals with the American system that is based on the Fordist model, and then the Post-Fordist system that is based on new the forms of competition. In this context the paper evaluates three variances of new developments, namely the Japanese firm, the industrial districts model of Italy, and the state dominated economies of South East Asia, namely South Korea, Singapore, and Malaysia. The third section, titled

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the nature of international economy, analyzes the essence of globalization and global expansion strategy.

2. The Chief Reasons for the Change of Organizational Forms

Morgan (1997a) argues that organizations and their structure have been massively influenced by four approaches—the transaction costs economics, the evolutionary economics, the institutional theory, and the characteristics of societies. This section will evaluate these approaches in some detail respectively.

According to Williamson (1994), transaction costs are the costs of negotiating, monitoring, and governing exchanges between people. Jones (2001) makes it clearer by pointing out that organizations attempt to gain the control of resources and to reduce their dependence on other organizations. Thus they aim to minimize the costs of exchanging resources in the external environment and the costs of managing exchanges inside the organization.

Transaction costs are, in general, associated with buying and selling in a market system. In particular, they are concerned with finding satisfactory suppliers and distributors, negotiating, concluding, and monitoring contracts with other firms, and involving in imperfect market situations that incur costs on the company. Williamson (1994) argues that organizations should give primary attention to market pressures and efficiency analyses if they want to survive in the commercial sector. This means that organizations should organize their transactions in the most appropriate way such as through simple market exchanges, through entering into hybrid structures—inter-firm networks, or through involving in hierarchies.

These are alternative governance structures or ‘institutional matrix’ within which the integrity of a transaction is decided. First, markets are arenas in which autonomous parties involve in exchange. Markets can be either ‘thick’ or ‘thin’. Thick markets include large numbers of buyers and sellers on each side of transaction and the identity of participants becomes insignificant, because each party can go its own way. By contrast, thin markets are characterized by fewness due to asset specificity. Second, hybrid structures are long-term contractual relations that protect autonomy but

provide transaction-specific ‘safeguards’—security features introduced in the contract so as to reduce hazards because of asset specificity. These can be seen in the form of penalties and fully developed ‘private-ordering’—self-created mechanisms such as information disclosure, dispute settlement, and distributional mechanisms to deal with errors, gaps, and inequities in decision-making between parties. Lastly, hierarchies are governance structures in which there is a unified ownership or buyer and supplier are in the same enterprise and transactions are subject to administrative controls. As a rule, in hierarchies one firm takes ownership and control of other members of the network (Williamson, 1994).

There are three major sources of transaction costs.

1. Environmental uncertainty and bounded rationality: Environment does often comprise continuously changing high number of specific and general forces. However, people in organizations usually have incomplete information about the exact consequences of decisions, are incapable of connecting correct values with the outcomes in the time available, and are capable of considering a limited number of alternatives in decision making. Thus people cannot achieve ‘objective rationality’ (Simon, 1947).
2. Opportunism and small numbers: Some organizations attempt to exploit other forces in the environment. When an organization is dependent upon one supplier or on a small number of trading partners, the potential for opportunism becomes great. The organization has no choice and the supplier, knowing this weakness, might choose to supply inferior or defected inputs to reduce costs and increase profit.
3. Risk and specific assets: This is the decision of an organization that invests money in skills, machinery, knowledge, and information in order to create value in one particular exchange relationship in its environment. This gives rise to a high level of risk.

Jones (2001) puts emphasis on the fact that transaction costs are high when organizations exchange specific goods and services; operate in a highly uncertain market, and make exchanges with few trading partners. By contrast, transaction costs are low when organizations exchange nonspecific

goods and services, operate in a certain environment, and make exchanges with many trading partners.

According to Morgan (1997a), Williamson's efficiency analyses and economizing logic in the choice of one form of capitalist organization over another have been attacked by two studies in economics. We first look at the evolutionary economics, and then the institutional theory.

The evolutionary economics is concerned with the selection pressures of industrial sectors. It regards organizations as a set of routines and capabilities. Organizations will survive in a specific sector if they are capable of satisfying 'dominant designs' of that sector. This is the evolution of industry structure as a technology. If new products appear in the sector all the time, product-specific research and development process will not be profitable. Under these circumstances, profits can be gained by developing better ways of producing. However, dominant designs bring barriers to enter into the industrial sector, because firms highly need scale and capital for competition. Therefore, they have to constitute 'specific knowledge asset bases' that are congruent with the dominant technological recipe of a particular industry (Nelson, 1994). According to Jones (2001), organizations should digest intrinsic characteristic of capitalism that is 'creative destruction'. Competition among firms can bring about either refinements on the current technology—incremental innovations or radical transformations on the actual technology—quantum innovations. Organizations should be capable of adopting the 'competence destroying technological advances' (Tushman and Anderson, 1986) of capitalism. This characterizes the new technology when the skills needed to deal with them are different than the skills and experience that were relevant to the old technology. Such technologies are also called as 'technological paradigm' or 'regime' (Dosi, 1982; Winter, 1984; and Nelson, 1994).

Organizations tend to be good at best at a limited range of things and it is not easy for them to make new radical changes and to learn rapidly new capabilities. In order to remain 'fit' and consequently survive, they need to draw resources from outside as well as satisfy the determinants of strong operative selection mechanism, which is only a significant part of the story. There are also changes in technology or in market conditions that shape the behavior and characteristics of firms. If firms have a rigid attitude towards important economic changes, they can easily die out. Organizations can ensure promising ways to create potential by employing innovative

people and securing their employment with strong property rights such as large salaries, stock options, and satisfactory premiums.

Furthermore, Sabel (1994) in 'Learning by Monitoring' puts emphasis on a process common in Japan whereby competitors in an industry learn to cooperate over particular characteristics of technological breakthroughs. In this regard, the state motivates firms to subject themselves to rules or to set goals with reference to prevailing standards so that each firm can learn from the limitations and accomplishments of the others. This is common where the risks for any one firm of attempting to obtain the new technological paradigm are high as to balance any potential gains. Under these circumstances, the firms get together and pool their skills and knowledge as well as the risk so as to resolve a system problem. Sharing scattered and different knowledge and skills generate a powerful mechanism in which the participants preserve their trust to each other. Collaboration between firms and the state is transient. When the system problem is resolved, each participant firm becomes free and competes against the others. Sabel calls such groupings as 'developmental associations' in which the capabilities of a large firm are shared in the creation of a major technological system innovation.

This is also evident in the West where organizations can improve their capabilities and cope with the environmental uncertainty through developing different organizational forms. They either enter into 'symbiotic' interdependencies with their suppliers and distributors such as in the form of co-optation, long-term contracts, networks, minority ownership, joint ventures, and mergers and takeovers, or involve in 'competitive' interdependencies with their rivals such as in the form of cartels, strategic alliances, and mergers and takeovers (Jones, 2001). In the West, however, the existence of the climate of mistrust among firms and the pressure of stock markets tend to undermine such collaborative processes.

In this succinct analysis of the evolutionary economics, we have revealed the fact that the concepts of market and competition developed beyond simple economizing logic. There is a need to understand how different organizational forms relate to the processes of transformation and innovation.

Institutional theory, in particular institutionalism and neo-institutionalism, analyze the ability of organizations to grow and survive in a competitive environment. In this context, Scott and Meyer (1991) draw our attention to the nature of the sector that is an important type of environment influencing the structure and performance of component organizations. Organizations operate both in technical environments and in institutional environments. Technical environments are those in which a product or service is exchanged in a market such that organizations are rewarded for effective and efficient control of their production systems. However, institutional environments are those in which individual organizations must conform rules and requirements of their industrial sector if they desire to receive legitimacy and acceptance of their stakeholders. It is important to note that technical and institutional environments do coexist although they are somewhat negatively correlated. Scott and Meyer list the implications of their analysis of the distinction between technical and institutional environments as follows.

- Organizations in technical sectors will attempt to control and coordinate their production activities.
- Organizations in technical sectors will succeed to the extent that they develop efficient production activities and effective coordinative structures.
- Organizations in institutional sectors will not attempt to control and coordinate their production activities; rather will buffer these activities from organizational structures.
- Organizations in institutional sectors will succeed to the extent that they are able to get types of personnel and to develop structural arrangements and production processes that conform the norms and authorities within that sector.
- Organizations functioning in highly developed technical and institutional sectors will develop more complex administrative system and will experience high internal conflict.
- Organizations functioning in sectors that are not highly developed either technically or institutionally will be relatively small in size and weak in terms of their capacity.

Powell and DiMaggio (1991) argue that specific patterns give rise to a constraining process that forces one organization in a population to resemble to others—‘institutional isomorphism’. Organizations go towards isomorphism through pressures by other organizations—coercive isomorphism, through intentional imitation of one another—mimetic isomorphism, or through indirect adoption of norms and values of other organizations—normative isomorphism. These are three mechanisms of institutional isomorphic change.

Coercive isomorphism is associated with political influence and the problem of legitimacy. Both formal and informal pressures exert on organizations by other organizations and by cultural expectations in society where organizations function. In short, the existence of a legal environment shapes the behavior and the structure of organizations. Mimetic isomorphism stems from standard responses to uncertainty. Uncertainty stimulates imitation. When organizational technologies are poorly understood, when goals are ambiguous, or when it is unclear how to proceed, organizations try to copy or ‘model’ from the successful ones in the expectation that this provides some legitimacy for their organizational structure and strategy. Lastly, normative isomorphism results from ‘professionalization.’ Professional ideologies in organizations establish a cognitive base and legitimation for the conditions and methods of work. These shared values control and coordinate the activities and processes (DiMaggio and Powell, 1991).

When we look at the characteristics of various societies that are the final major cause of the change of organizational forms, we encounter different national contexts or separate national business systems. Whitley (1996) determines three key dimensions by which business systems vary. The first one is the nature of firms whether they are profit-oriented or growth-oriented and focused or diversified. The second one is the nature of market organization in which whether firms are involved in networks, in associations, in alliances or not. The third one is the nature of work coordination and control in which whether decision-making is centralized or not and tasks are expert-driven or not. These characteristics arise from the dominant social institutions of a society such as cultural conventions, the nature of state, the financial institutions, and the labor system. These social institutions shape five separate types of business systems (Whitley, 1994).

1. Centrifugal systems: Companies are self-reliant and family based such as in China
2. Partitioned business systems: Companies function within their own area with very little connection with others (e.g. Anglo-Saxon model)
3. Collaborative economies: Banks and local governments support small companies financially, technologically, and managerially (industrial districts in Italy and in Germany)
4. State coordinated economies: Firms function autonomously but get developmental support of state in investment, in infrastructure, in education and in training, etc. (e.g. Japan)
5. State dominated economies: Politicians and state bureaucrats play a key role in supporting firms (e.g. South Korea)

National business systems indicate that organizations are shaped by their national contexts. Typical strategies, routine approaches, predictable patterns, logics, decision rules, or creative problem solving methodologies, methods, tools and techniques that are used by companies in different countries reflect specific capacities and weaknesses in each national system (Zysman, 1994).

3. The Nature of Transition of Competition

This section deals basically with the nature of change from Fordist model to a Post-Fordist model and its profound impact on organizations. In particular, over the last two decades the American system that is based on the Fordist model has lost its popularity and a new industrial model—Post-Fordist system that is based on flexible manufacturing, flexible labor markets, and segmented markets has been rising. This transforming nature of markets, conflict, and competition has significant implications for organizations.

In the twentieth century, the competition in the American system of manufacture was regulated under specific rules. There were big firms that dominated mass markets in mass consumer industries such as car and electrical products. These large companies created a specific economy of scale that made it difficult for new companies to enter the market. In

industrial sectors these firms had privileges of determining price and quality specifications of products and services. In this way, they afforded their reinvestment and development costs. They also ensured the requirements of compromise with the workforce, which was based on the Taylorist system as a means of achieving the economies of scale in order to maintain the market hegemony. Furthermore, in the Fordist system the state facilitated the functioning of these big firms through securing and maintaining the aggregate demand. In other words, the government was keeping the aggregate demand alive through putting money into consumers' pockets, cutting taxes, or increasing government expenditures. This was the Keynesian economics in which government was able to influence the level of spending in the economy through some macro-economic, monetary, and fiscal policies. In fact, the government was playing the role of economic stabilizer (Amin, 1994). Balancing supply and demand or smoothing economic fluctuations, and securing stable and calculable growth are one part of the state role.

The state also acquired the key role of integrating the capital and consumers goods industries and managing the wage relation to this end through investing in infrastructure projects, promoting economies of scale with nationalization or merger policies, and encouraging mass consumption with housing and transport policies. Furthermore, the state supported responsible trade unionism, collective bargaining, and social partnership as well as intensified social problems for which welfare government solutions could be sought.

According to Jessop (1994), the Fordist model consisted of the following chief characteristics.

- Labor (production) process included mass production that was based on moving assembly line techniques operated with dedicated machines—performing only one operation at a time and semi-skilled fixed workers—performing standardized and repetitive work procedures. Inventory was used in input-transformation-output stages to protect the conversion and to prevent stoppages and slowdowns in production.
- A stable macro economic growth in capitalist production and consumption was based on mass production; rising productivity based on economies of scale; rising incomes connected to productivity; increasing demand linked to

rising wages; increasing profits based on full utilization of capacity; and increasing investment in improved mass production equipment and techniques.

- Social mode of economic regulation was based on separation of ownership and control in large corporation with a multidivisional and decentralized organization subject to central controls; monopoly pricing; union recognition and collective bargaining; wages indexed to productivity and retail price inflation; and monetary emission and credit policies oriented to securing aggregate demand.
- Social regulation or institutional integration and social cohesion pattern included the consumption of standardized commodities by ‘urban-industrial’, ‘middle mass’, ‘wage-earning’ society; provision of standardized collective goods by the bureaucratic state; Keynesian economic management; universalistic welfare state, and hierarchical, well staffed, bureaucratic, and multidivisional form of organizational structure.

However, the Fordist model became futile as a result of specific developments. The general driving forces behind the emergence of Post-Fordism in the labor process, macroeconomic growth regime, and modes of regulation are (1) the rise of new technologies, (2) internationalization, and (3) the paradigm shift from Fordism to Post-Fordism.

First, Fordism did not work well as it was confronted with the competition from other systems. The point is that the consumers gradually shifted their demand away from Fordist American firms to those of Far East, which were based on the Post-Fordist principles. Growing competitive pressures from newly industrialized countries are linked to low cost; simple high-tech goods and services; and active role of state in technological intelligence gathering, in creating autonomous technological capacities, in promoting innovative capacities, and in transferring technology and technical competence to the declining sectors.

Second, closed national economies began to integrate into the global circuits of capital. In addition, the national character of money is subordinated to the international currencies. Lastly, the states started to get involved in directing the internationalization activities such as introducing new legal forms for cross-national cooperation, reforming international

currency and credit systems, promoting technology transfer, managing trade disputes, and developing new forms of regulation for labor migration.

Third, as the hegemonic techno-economic paradigm transformed from Fordism to Post-Fordism, the roles of states are radically changed. Fordist mass production was supply-driven and could only be beneficial when high levels of demand were maintained and mass markets were expanded. However, the transition to a Post-Fordist paradigm changed the economic functions of state. Particularly, internationalization and flexible production induced states to concentrate on the supply-side problem of international competitiveness as well as to lower welfare policy to the demands of flexibility.

Jessop (1994) highlighted the main features of Post-Fordism.

- Labor process consisted of a flexible production process that is based on flexible transfer machines—a series of dedicated machines placed side-by-side and are capable of performing more than one operation, flexible workers—workers who are multifunctional, and flexible work team—a group of workers who are responsible for performing all the operation necessary for completing a specified stage in the manufacturing stage. Its hardware is based on information and communication technology.
- Macroeconomic growth is based on flexible, diversified, and innovative production, increased demand for differentiated goods and services, increased profits deriving from full utilization of flexible capacity, reinvestment in flexible production equipment and processes, new sets of products, and new organizational forms that ensure economies of scope and ongoing innovation.
- Social regulation pattern involved supply side of innovation that is the promotion of competitiveness and technological innovation through monopolistic corporations, which have greater financial resources and incentive to promote technological advance—Schumpeterian welfare state. In this context, there is a shift from the primacy of hierarchical, well staffed, bureaucratic, and Sloanist form of organizational

structure towards flatter, leaner, organic or matrix type of organizational forms.

In this new system of competition firms could get higher profits if they were capable of innovating and changing rapidly in order to produce high quality and unique products. This necessitates learning new technologies through forming collaboration across firms or involving in alliances and in associations (Langlois and Robertson, 1995).

In this context it would be useful to handle the nature of the 'Schumpeterian workfare state.' By and large, restructuring and reorientation of the economic and social functions of the Keynesian welfare state is called Schumpeterian workfare state. In economic and social reproduction it aims to promote product, process, organizational and market innovation in open economies so as to empower the structural competitiveness of the national economy by intervening in the supply side; and to lower social policy to the needs of labor market flexibility and limitations of international competition. It places the domestic full employment in a lower rank in favor of international competitiveness and redistributive welfare rights are also subordinated to a productivist reordering of social policy. In this system, the state's power even within its national boundaries is undermined by the internationalized flexible production systems and growing risks emanating from the global environment. In short, 'Schumpeterian workfare state' adopts supply-side intervention to promote breakthroughs (emphasizing enormous branches of new technologies) and structural competitiveness (emphasizing changing terms and conditions of international competition), and cut back social welfare to restructure and subordinate it to market forces (signifying its awareness of the Post-Fordist rationality change and the impact of internationalization on the primary function of money).

Finally, in terms of strategies of 'Schumpeterian workfare state' we have to pay attention to the neo-liberalist, neo-corporatist, and neo-statist forms depending on institutional legacies. Neo-liberalism promotes a market-guided change towards the new economic regime involving privatization, flexible time and wage labor markets; reorientation of state activities to the needs of private sector; 'deregulation' and a new legal framework providing support for market solution; internationalization even if it conflicts with the coherent national industry that prepares the ground for innovation; involving strong state action; and reinforcing monopolistic regulation. Whereas neo-corporatism expands relevant interests in policy

communities; increases heterogeneity of the workforce and labor markets; signifies innovation, structural competitiveness, self-regulated firms, and supportive state. Lastly, the statist promotes state-guided approach to economic reorganization through intervening on the basis of the state's powers of 'imperium'—imperative coordination and 'dominium'—as one economic actor among others. State-sponsored flexibility and state activities aim to ensure the dynamic efficiency of the industrial sector. The state sets strategic targets for continuous innovation, reskills the labor force, restructures declining industries; and engages in societal guidance strategies (Jessop, 1994).

The decline of the dominant force—the American firms and the rise of new competitors in the world market can be better comprehended, if we take a closer look at the three examples of the Post-Fordist system. Namely, we will be examining some major characteristics of Japanese firms, Italian industrial districts, and state coordinated and dominated economies of South Korea, Singapore, and Malaysia in some detail.

Japanese firms have generated new production concepts and processes. They have analyzed the complete production process through evaluating how tasks match the overall technological and spatial organization. Their aim has been to minimize the elapsed time within the whole production process. They have used just-in-time inventory planning in which barriers between the stages of traditional mass production (input-transformation-output) have been broken down and the whole value creation process has been regarded as a single chain of sequential activities. Japanese firms have made investments in machines and equipments that are capable of reconfiguring rapidly as new detailed specifications for new products are developed. Furthermore, they have created self-organizing development teams with an accountability of never-ending learning. Thus they do not need a separate quality control department (Best, 1990).

Japanese firms also have unique institutional attributes. Employees have strong loyalty to the company that is supported by lifetime employment. The management structure is called 'ringi' system in which a proposed document circulates both vertically and horizontally from manager to manager until the critical points have been satisfied and a collective decision has been made (Sasaki, 1981; Morgan, 1997b). Furthermore, banks and government institutions support planning and development of these firms. The relationship between banks and firms is unique and is called as financial 'keiretsu' in which a dominant large bank

functions like a giant interlocking directorate. The members of the financial keiretsu, which is composed of diverse companies, sit on the board of directors of the bank and often on the boards of each other's companies. The companies are linked by substantial long-term stock holdings, most of which are managed by the bank at the centre of the keiretsu.

In addition, Japanese firms dedicate themselves to the development of their company, world culture, and the welfare of society through efficiency, productivity, quality, subordination of the self to the objectives of a collectivity—groupism, collaborative efforts, a strong work ethic, a sense of fulfillment of their obligations, close and long-standing interactions among individuals, avoidance of disgrace, and achievement of self-respect through service (Pascal and Athos, 1981; Morgan, 1997b).

The other typical example of the Post-Fordist system is associated with the Italian industrial districts, which are characterized by small firms that produce high quality goods and designs in textile, in clothing, in shoe making, in decoration, and in household furnishings. The local governments in terms of technological developments, marketing, and new business ideas support the Italian industrial districts. The industrial districts also get financial and marketing assistance from consortiums, and services of accountancy, general problem solving, technology information, and financial support from inter-firm associations (Best, 1990).

They have strong family ties and produce high quality customized products on a global scale. However, they much value their autonomy and are opposed to the hostile mergers and takeovers. They are also capable of producing new products rapidly and entering into new market segments and upstream industries (Porter, 1990).

The final example of the Post-Fordist theme comes from the South East Asian newly industrializing countries—South Korea, Singapore, and Malaysia. In all these countries state sponsors economic development and mobilizes the industry, thus plays the role of economic stimulator unlike its economic stabilizer role in the Fordist model (Wade, 1990; Weiss and Hobson, 1995).

In South Korea, government provides huge loans at a very appropriate rate to few favored business leaders and groups. This is called 'chaebols' (Whitley, 1992), which are responsible for generating large-scale

mass production plants and exporting their goods and services to the West. Chaebols, which usually operate in key industrial sectors such as in steel, in shipbuilding, in automobiles, and in consumer electronics, locate outside their home base and market more widely under their own names and global brands. Korean government upgrades its economy through making substantial investment in training and in education, promoting exports, and improving international competitive success.

The vital role of state in mobilizing national economy is also evident in Singapore and in Malaysia. According to Stallings (1995), these two countries initiated the national government policies that emphasized expanding investments in infrastructure development, actively involving in the privatization of state agencies engaged in infrastructure development, investing in education and training in both public and private sectors, and establishing research institutes, science parks, technology centers and programs in order to foster cooperation between multinationals and local suppliers and to accelerate technology transfer and local technological development.

According to Amin (1994), the Post-Fordist state is a Schumpeterian welfare state that puts emphasis on the promotion of innovation, on the functions of production, and on the international competitiveness. It disregards state expenditures of Keynesian welfare state that ensures social security, unemployment benefits, and improvement of social benefits. By contrast, Schumpeterian welfare state directly supports the industrial development in which the role of monopoly corporations is so vital, because they have greater financial resources due to above-normal profits and motivation to take the lead in the initiation of 'creative destruction' and in the promotion of technological innovation.

4. The Nature of International Economy

This section aims to evaluate the nature of international economy with an emphasis on globalization and to describe the global expansion strategy.

In the nineteenth century, the global market and competition were characterized by the small number of manufacturing countries that were exporting goods and services and capital, as well as countries that supply raw materials to the industrialized countries. The firms strongly reflected the chief characteristics of their national systems. After the First World War this system vastly changed. The American companies started to set up plants and facilities in other industrialized countries. In this way, they expected to overcome trade barriers and to get access to the markets. This process gained momentum in the 1950s and 1960s and other industrialized countries gradually took action to do the same. The rest of the world either carried on supplying the industrialized world with raw materials or attempted to involve in an inherent industrialization process. The latter strategy was giving rise to increased imports and huge debts for the industrializing countries (Hirst and Thompson, 1996).

In this period of internationalization of the world economy, firms entered into new markets and sold their goods and services. They pursued a Sloanist strategy in which multidivisional corporations set up their divisions in specific countries and adapted their policies to the desires of the localities. However, some countries like France where nationalistic ideologies were dominant reacted actively to these American influences. Likewise, countries like Germany and Japan where fidelity to national producers was strong resisted passively to these American oppressions.

In the last two decades, a new phase called globalization arose in the internationalization of production. The essence of international manufacturing system shifted from spreading of economic activities across national boundaries to globally organizing international manufacturing and trade. While the former is called as 'internationalization', the latter is called 'globalization' that implies a degree of functional integration between these internationally dispersed activities (Dicken, 1992). In this process, the core corporations that represented both industrial and commercial capital played a key role (Gereffi, 1994; Gereffi, 1995). They directed their investment to take and to use key local attributes in ways that contribute to the development of the firm. First attribute is related to the vast difference of pay levels between East and West. Low price of labor in China, in Indonesia, in Taiwan, and in South Korea affected locational strategies of manufacturers. Second attribute is concerned with the composition of workforce. Workers were partly influenced by work discipline, working conditions, strict control, and their ability and willingness to work hard. They were also partly affected by their skills and training in the execution of

their tasks. An educated worker could work for wages, which were below their equivalents in other countries. Third attribute is concerned with the willingness of governments to ensure property rights for the incoming investment (Williams et al., 1994). However, huge potential markets such as in India and in China could be a stimulus for the global corporations. In addition, some countries like Japan set up plants in other countries with the hope of avoiding tariff barriers. The final attribute is related to the learning advantages. According to Amin and Thrift (1994) global companies preferred to be in dynamic and prosperous fields or 'intelligent regions' where knowledge, techniques, and expertise can be gained easily in order to enhance their core competences.

These different local qualities generated a profound impact on the structure of multinational firms. In the past they had production centers or divisions in countries but now they are becoming globally integrated. The manufacturing system is organized and coordinated spatially to make use of the local advantages of particular fields—global commodity chains. They are embedded in transnational production systems that lead to particular patterns of coordinated international trade. The production system integrates the economic activities of firms to technological and organizational networks that allow companies to develop, manufacture, and market specific commodities. This indicates that not only do we need to look at the geographical spread of transnational production arrangements, but also at their organizational scope such as the linkages between different economic agents—raw material suppliers, factories, traders, and retailers. Global commodity chains have three significant dimensions (Gereffi, 1994).

- An input-output structure: A set of products and services linked together in a process of value adding economic activities.
- A territoriality: Concentration of production and marketing networks, consisted of different types of enterprises
- A governance structure: Authority and power relationships that determine the allocation and flow of financial, material, and human resources within a chain.

In the past two decades, two different types of governance structures for global commodity chains have arisen, which are called as 'producer-driven' and 'buyer-driven' commodity chains. In 'producer-driven commodity chains', the transnational corporation or other large integrated enterprises control the production system. This is seen in technology- and capital-intensive industries such as automobiles, computers, aircraft, and electrical machinery. The transnational corporation also coordinates the international subcontracting of components of labor-intensive production processes. However in 'buyer-driven commodity chains,' large retailers, brand named merchandisers, and trading companies play the central role in establishing decentralized production networks in a variety of exporting countries, located in the Third World. This pattern is common in labor-intensive consumer goods industries such as garments, footwear, toys, household goods, consumer electronics, and handcrafted items. Technically, in this model merchandisers or retailers are not manufacturers because they have no factories. Rather, they design and market, but do not make the branded products. They trust tiered networks of production contractors that perform almost all specialized tasks in the manufacturing system. They are basically interested in and influential on product development, manufacturing, branding, packaging, and shipping activities. The core company in the buyer-driven commodity chains manipulates the production and trade networks and ensures the integration of all pieces of the business. Thus, profits in buyer-driven commodity chains do not come from volume, and technological advances like in producer-driven commodity chains, but rather from unique combinations of research, design, sales, marketing, and financial services (Gereffi, 1994).

If companies desire to be successful in the globalization process, they will need an organization plan, which extends their value creation activities into foreign countries. According to Jones (2004), they can create value by transferring a core competence in one or more of its value creation functions to a foreign market to produce cheaper and improved products that will give the firm low-cost or differentiation advantage. Then, they can constitute sets of task and reporting relationships among managers, functions, and divisions—a global network that links an organization's value creation activities around the world. The global network facilitates the firm's access to unique resources and skills throughout the world. In this way, they can transfer these skills to their domestic base to enhance their core competences and then transfer their enhanced competences back to the foreign operations to increase their competitive advantage—global learning.

In the globalization process, however, the firms need to pay great attention to three significant factors (Doz et al., 1981).

- Lowering product costs and increasing product quality to ensure global integration
- Customizing products to be responsive to the local requirements
- Coordinating resource transfers and value creation activities to reduce bureaucratic costs

According to Bertlett and Ghosal (1991), the behavior of the company that aims to enter and compete in the international environment can be of four types. These are multidomestic, international, global, and transnational strategies.

If a company decided to choose a multidomestic plan, it would mainly customize its products to remain responsive to the local pressures and establish autonomous foreign divisions. The international company with a multidomestic strategy fails to get potential gains from the sharing of competences and consequently eliminates the opportunity for global learning. These companies are relatively flat, decentralized, and have low integration mechanisms.

If a company decided to use an international plan, it would offer customers in all countries standardized and only slightly responsive products to local desires. Core competences are centralized at home. The international company with an international strategy will be limitedly responsive to the local preferences, have high production and bureaucratic costs, and poor global learning. These companies are relatively tall, decentralized, and moderately integrated.

If a company decided to select a global plan, it would offer foreign customers lower priced standardized products than their domestic companies offer. The company does not transfer manufacturing and distribution activities to every country. It controls its resource transfers through its headquarters that leads to high bureaucratic costs. The international company with a global strategy overlooks the needs of different customers in different countries. These companies are relatively tall, centralized, and highly integrated.

If a company decided to employ a transnational plan, it would get both low-cost and differentiation advantages simultaneously. The company must transfer core competences to the country where it gets low costs and differentiated products. Then, it creates a global network to achieve coordination that will allow domestic and foreign divisions to share skills and resources to improve competences. Each foreign division is responsible for developing skills it receives from other divisions and transferring enhanced products and processes to other divisions. The main purpose is to develop a core competence in the global coordination of organizational resources between divisions. In this way, products have a differentiated appeal, a low-cost, and a high quality. The international company with a transnational strategy will have a highest bureaucratic cost. These companies are relatively flat, simultaneously centralized and decentralized, and highly integrated.

5. Conclusion

In this paper, we have illustrated and understood the changing composition of organizational forms in the contemporary world.

We have first evaluated the main reasons for the change of organizational forms. In this respect, we have found out that organizations do not seek to choose one type of organizational form as a consequence of an economizing logic or of being efficient and effective in the market. There are some other reasons. Not only do they have to conform to the ruling technological design of their industrial sector, but also they should be capable of growing and surviving through resembling to each other in volatile and competitive environment. Furthermore, organizations reflect different national business systems arising from their different and rigid national social contexts.

Second, we have described the nature of the shift from Fordizm to Post-Fordizm. In this regard, we have drawn up the chief characteristics of these two models, and then tried to reveal the talisman of the latter model through taking a closer look to its three examples or variations. In this way, we have come up with invaluable features, which provided these countries with a great success in the business world.

In the final section, we aimed at reviewing the nature of international economy with a special emphasis on globalization and global expansion strategy. In particular, we have explained the changing nature of the concept called globalization, then have described four significant global organization strategies that would ensure the success of an organization in the international environment.

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