even do it better than other factors. Arguing this is an extremely valuable contribution. I would not, however, go as far as *conceiving* or *defining* reflexive thinking, innovation, entrepreneurship and the associated uncertainty only in terms of internal organizational dissonance, excluding other possibilities.

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# Coordination through dissonance

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## 1.

Today a widely accepted premise of economic sociology and organization sociology is to make uncertainty the starting point of research. Numerous scholars have analysed the organization of economic activities and the structures of exchange by beginning with the problems emerging from the unknowability of future conditions, an unknowability that derives in large part from the complexity and interdependencies of social interactions (Beckert, 1996; Podolny, 2005).

Scholars have investigated how institutions, networks and cultural scripts help guide decisions even when it is impossible to discern optimal choices. For Fligstein (2001), institutions, property rights and conceptions of control are the building blocks of stable markets. Podolny (2005) analyses how the differences in status among firms in a particular market can serve as a point of orientation for clients in search of, for example, investment bank services or a corporate law firm. Sociologists researching the markets for wine or for the arts point to the important role of reputable market intermediaries, whose assessment of the market and suppliers influences purchasing decisions and prices (Beckert and

**Article by an MPIfG researcher**
Jens Beckert: Coordination through Dissonance: Review Symposium on David Stark "The Sense of Dissonance: Accounts of Worth in Economic Life". Princeton: Princeton University Press, 2009. In: Socio-Economic Review 9(3), 606-612 (2011). Oxford University Press
The original publication is available at the publisher's web site: http://dx.doi.org/10.1093/ser/mwq036

Rössel, 2004; Velthuis, 2005). The French economics of conventions (Storper and Salais, 1997; Boltanski and Thévenot, 2006) investigates how actors turn to conventions that help coordinate their actions in situations involving uncertainty. Institutional organization theory (DiMaggio and Powell, 1991) demonstrates that, in situations of uncertainty, actors imitate legitimate models prevailing in the field and thereby contribute to the homogenization of organizational forms.

There are at least two pitfalls in this recourse to relatively fixed social structures as points of orientation in uncertain situations. First, this approach risks defining away the problem from which it sets out. If actors ground their decisions on familiar models, why would there be a problem of uncertainty in the first place? Second, the assumption of an orientation towards prevailing social structures entails an overly static picture of the economy. How can the dynamics of the economy—its dominant trait in capitalism—be explained if actors consistently take recourse to already existing models?

An answer to the first question might be that social structures do not wipe out the uncertainty inherent in the situation but instead enable actors to make decisions, despite the uncertainty of outcomes, by providing templates for action. A popular answer to the second question has been the introduction of the notion of the institutional entrepreneur, an actor who, rather than follow an institutionalized script, deliberately departs from existing templates (DiMaggio, 1988). This idea has generated an astounding number of research articles but nevertheless leaves many questions open: How is it possible that actors enmeshed in institutions can step out of them? Is change initiated by heroic individuals, or is it a collective operation? Are only entrepreneurs 'creative', or is work as such a creative activity that changes institutional structures?

## 2.

By taking uncertainty as its starting point, David Stark's new book *The Sense of Dissonance* converges with these approaches in economic sociology and organization sociology. However, his book is not another study on uncertainty and the embeddedness of actors in social structures—be it networks, institutions or cultural scripts. On the contrary, Stark distances himself precisely from this perspective. Instead of focusing on the creation of shared understandings of how to respond to a situation, Stark makes the point that firms establish structures that allow for *different* evaluations of the situation. In a nutshell, the core hypothesis of the book is formulated in this statement: 'Entrepreneurship exploits the indeterminate situation by keeping open diverse performance criteria rather than by creating consensus about one set of rules' (Stark, 2009, p. 17).

By making the diversity involved in evaluating a situation the building block of his theory, Stark is able to develop a conceptualization of the firm (and of

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markets) that does justice to specific traits of capitalist economies. Capitalism as an economic system is the unlimited search for profit. Knight (1985) argued that profits can be made only in situations of uncertainty, and Schumpeter (1934) demonstrated that entrepreneurs seek new profit opportunities by deviating from established routines.

Profit is the difference between product costs and market price. Seen from the demand side, profits require purchasers who see value in the product offered on the market. But rather than focus on the demand side of markets, Stark's book deals with the organizational structures of firms that make it possible for them to offer products or make investments that turn out to be profitable. He deals above all with the question: What are the organizational structures that allow firms to create value?

In answering this question, Stark introduces the notion of heterarchy—that is, organizational structures that combine two key features enabling them to deal with uncertainty. The first feature is distributed intelligence, which Stark describes as a 'radical decentralization in which virtually every unit becomes engaged in innovation' (p. 21) and in which 'the functions of exploration are generalized throughout the organization'. The second feature of heterarchy as an organizational form is the 'organization of diversity enacted through the friction of competing performance principles' (p. 19). Stark demonstrates the operation of these two organizing principles in three impressive ethnographies of firms which he studied for over two decades. These ethnographies are fascinating not only because of their precise observations, but also because of their unity despite the heterogeneity of the subjects they investigate. Stark finds the features of heterarchy in a machine-tool factory in socialist Hungary, in an Internet firm in New York's Silicon Alley and in the trading room of a hedge funds firm in lower Manhattan.

## 3.

I will not discuss the findings of these ethnographies as such but instead make four points that highlight the general contribution of these ethnographies to the fields of economic sociology and organization theory.

(1) The first of these contributions is the systematic linking of economic sociology and organization theory. Of course, new economic sociology has developed in many ways from organizational analyses. Core contributors to economic sociology, such as Dobbin (1994, 2004), DiMaggio and Powell (1983), Zukin and DiMaggio (1990) and Fligstein (1990, 2001) have been organization scholars as much as they have been economic sociologists. However, David Stark connects these two fields in an especially interesting way by inquiring into the organizational preconditions for the market

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success of firms. Though the ethnographies are about organizations and their structures, the implicit focal point of the studies remains the market: What organizational structures are needed for a firm to succeed in a highly volatile market environment?

(2) The second contribution of the book is that Stark places the issue of value (or worth) in the forefront. The investigation of value has become an important topic in economic sociology in recent years. Only if purchasers consider products valuable are they willing to buy them. French economic sociologists in particular have dealt extensively with the question of how value is produced in firms and how it is assessed in the market (Dubuisson-Quellier and Neuville, 2003; Vatin, 2009). For Stark, economic sociology is the study of worth. In emphasizing different orders of worth, he follows closely the French economics of convention. However, he views the research on valuation from a specific angle: whereas much of this research has dealt with what Karpik (2010) calls judgment devices—ranging from social networks to guidebooks—and with the organizational *activities* in the market that create value (Callon et al., 2002), Stark focuses the spotlight instead on the organizational *structures* of firms that enable them to produce valuable products or make profitable investments.

(3) The third contribution is made to the theory of economic sociology. The critique of rational actor models has been a consistent vantage point of economic sociology. While this critique has been partly normative (Etzioni, 1988), it has mostly been based on the critical assessment of the cognitive premises assumed in rational actor theory. In situations with fundamental uncertainty, intentionally rational actors lack the preconditions for calculating optimal choices (Beckert, 1996; Dequech, 2006). If this holds true, then we must ask how we can conceptualize action in highly contingent, complex and volatile environments. In other words, what is an alternative to the rational actor model? Stark follows the growing interest of economic sociologists in exploring American pragmatism as a possible alternative to the rational actor model (Sabel, 1993; Whitford, 2002; Beckert, 2003; Barbalet, 2009).

Why pragmatism? Stark opens his book with a paragraph about the notion of 'search', which is what he calls the 'watchword of the information age'. The kind of search he has in mind throughout the book is not the search stemming from a lack of information but 'the kind of search during which you do not know what you are looking for but will recognize it when you find it' (p. 1). As Stark points out, this kind of search is what John Dewey had in mind when he introduced the notion of inquiry. According to Dewey, inquiry takes place when an action situation becomes problematic and the actor is forced to reflect

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upon the problem and test possible solutions to it. This process anchors action in the actor's experience of the situation. The way out of this kind of troubled situation is not the calculation of the optimal decision, but rather a trial-and-error process in which solutions are discovered through novel interpretations of the situation, which finally lead to a course of action.

'Interpretation' might very well be replacing the concept of calculation as a core premise of economic theory. It is an adequate concept for the kind of activity taking place in situations with uncertainty. Even what actors themselves consider to be calculation can often be better described as the interpretation of a situation, given the many assumptions brought into mathematical models. To bring interpretation to the foreground of a theory of economic action leads to the type of discursive pragmatism advocated by Stark. Introducing the term 'interpreteurship' might help characterize the activities of economic actors in uncertain situations.

How an actor interprets a situation depends both on the social setting and on cognitive mechanisms investigated by psychologists. These social and cognitive structures, however, never determine the response. If they did, no new value would emerge. Actors are creative in their responses, and this creativity of action—as Stark argues—is shaped by the organizational structures in which it takes place.

(4) As I have indicated, I see the main source of reorientation to be Stark's departure from the notion that actors handle situations involving uncertainty on the basis of scripts, institutions or social networks. Economic sociology and organization theory can learn in profound ways from this idea. How would *The Architecture of Markets* (Fligstein, 2001) or much of the literature from sociological institutionalism change if they took into consideration Stark's notion of innovation through dissonance?

At the same time, there exists a danger of overemphasizing the notion of dissonance. Stark himself is aware of this potential when he stresses that heterarchy and 'coordination through misunderstanding' (p. 192) amount not to a cacophony but to 'organized dissonance' (p. 27). The coordination of economic activities in firms and in markets presupposes both social structures that actors can take for granted and behaviour that is not completely random. Stark may take too much order for granted without explaining it from the conceptual premises he develops. This point would be minor if it amounted to no more than a reminder to bring more structure and stability back to the argument. However, the challenge is theoretical in nature: How can one conceptualize the simultaneous occurrence of dissonance and stability in one theory?

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