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THE THEORY OF POWER OF HERBERT SIMON

Abstract

The theory of power developed by Herbert Simon cannot be reduced to the “hierarchical” perspective on authority, but highlights the multiplicity of decision-making centers within the organization. The interesting point is that employee skills are regarded as a major source of exercising real control and decision-making power within the organization. Moreover, Simon insists on the role played by social norms in rejecting or accepting the formal authority relationship. The most important implication of this re-examination of Simon’s paradigm is two-fold: Simon first explicitly acknowledges the rationality of the behavioral rules produced by employees from the viewpoint of organizational efficiency, he then raises the problem of the legitimacy of formal authority and official rules, this time from the viewpoint of the organization members.

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The conception of power that Herbert Simon developed within the framework of his behaviorist paradigm has been little utilized whether in economics, or in sociological literature. In a certain respect, the founder of the Carnegie School is responsible for this, having developed a well-known model (Simon, 1951), which formalized authority as the employee-employer relationship. The perspective adopted in the 1951 model is quite consistent with what could be called a “hierarchical” vision of authority and enterprise. In this view, Simon may appear as a faithful follower of Ch. Barnard or R. Coase, since both of these two authors analyzed intra-firm coordination as a link of subordination, distinct from market coordination.

Contrary to that common perception, it will be argued here that not only did Simon continue some of research in accordance with his predecessors' conceptions, but he also went far beyond them by elaborating a theory, which emphasized the complexity of power relations in organizations. This paper will, in particular, attempt to demonstrate that Simon's analysis of authority leads to a paradigm of power, which does not consist in a simple hierarchical link, but implies both the limits of rationality and collective judgment. One may measure this theoretical progression of the Carnegie School by taking into consideration three interdependent aspects of Simon's authority that are related to cognition, informal relations and legitimacy in organizations.

To study these issues, a conventionalist standpoint has been adopted – which refers to the French Theory of Conventions (FTC). This theory follows the methodological perspective originated by Simon – the stress being laid on bounded rationality and organizations as collective devices to face individual cognitive constraints. This paper argues that the continuity between two approaches goes far beyond this. It implies focusing on the same object of analysis, specifically, customs as constitutive rules of power and organizations, and, in a more general way, investigating coordination problems from the cognition-ethics viewpoint.

The paper is structured as follows. It will begin with an outline of the contributions of Barnard and Coase as Simon's predecessors. Section two focuses on the hierarchical aspects of authority analyzed by Simon. The next three sections present and explore what can be called “non hierarchical” aspects of authority: i.e. cognitive, informal and legitimate aspects. The last section looks at the methodological connections between the Simonian conception and the conventionalist paradigm and at the corresponding research implications.

1. Barnard and Coase: predecessors of hierarchical authority

Historically, Simon's theory refers to the conceptions of authority proposed by Ch. Barnard (1970) and R. Coase (1937): when he wrote *Administrative Behavior*, Simon was directly and explicitly inspired by the work of the former and seemed to ignore the work of the latter.

1.1. Barnard: hierarchy and cooperation

Barnard developed his notion of authority in close relation with his conception of organization, viewed as a cooperative system of coordination and, in particular, as a communication network that shapes main organizational features, like structure, size or

human relationships¹. In emphasizing intra-organizational characteristics from this perspective Barnard predated Simon's paradigm and the whole development of the information-processing organizational theories.

From this general methodological viewpoint, one of the fundamentals of Barnard's theory that has strong connections with Simon's behaviorism is the assumption expressing some elements of bounded rationality. Strongly influenced by J. Commons (1934), Barnard insists on the difficulties in defining environment and focusing on important facts. Hence, Barnard's individual "possesses a limited power of choice" (Barnard, 1970, p. 60). In this context, the role of organization is to select "important information" for an individual ("strategic factors" of decision-making) and therefore to serve as a cognitive structure that guides the attention of its members.

More specifically, Barnard's conception of authority may be regarded as a hierarchical approach, and is characterized by three main features.

First, authority refers to giving commands along the vertical lines of the communication system. "Authority is the character of communication (order) in a formal organization by virtue of which it is accepted by a contributor to or "member" of the organization as governing the action of the other" (Barnard 1970, p. 163). *Accepting* authority is not viewed here in terms of its being purely consensual, as some comments point out (Williamson 1990). It rather relates to a profound need and attempt to achieve cooperation, which is the main organizational problem for Barnard.

Secondly, the communication system corresponds to the formal hierarchy. Executives control "centers" of communication; authority is thus related to the official "position" in the organizational chart and not to personal qualities (skills, character...)². It is exercised along the vertical lines in the top – down direction. Hence, not only is authority formal and hierarchical, but it is the only real authority possible: no other type of power can govern the communication network in a rational and positive sense.

Thirdly, the communicated decision, in order to be accepted, must fall within the individual's "zone of indifference" within which the character of commands is not questioned. Such limits are defined by the balance between incentives and "burdens" of participation within the organization.

¹ "This system of communication, or its maintenance, is a primary or essential continuing problem of a formal organization" (Barnard, 1970, p. 175).

² "[...] Authority relates to a communication 'in a formal organization' [...] A communication has the presumption of authority when it originates at sources of organization information – a communication center – better than individual sources" (Barnard, 1970, p. 172-173).

This hierarchical vision of authority and organization is however attenuated by two considerations.

(1) Barnard, inspired by Elton Mayo's School, distinguishes between formal and informal organizations. The former refers to the official logic of efficiency and is opposed to the latter, which refers to logic of emotions, ideals and customs. In this view, informal relations generate "unconscious or non-intellectual actions and habits of individuals" (Barnard 1970, p. 116), which are irrational and "without any specific conscious *joint* purpose" (p. 114). Accordingly, it is important for executives to abide by these informal aspects in order to maintain organizational coherence and obedience to authority. However, Barnard never recognizes informal power relationships in other terms than irrational, compared to the rationality of the authority of superiors³.

(2) Barnard also discriminates between a quite impersonal "authority of position" and the "authority of leadership" related to the acknowledgement of individual skills and abilities independently of the formal position in the hierarchy. Pushing this distinction to its logical end would be inconsistent with the vertical vision of organizations: if professional skills are no more the privilege of executives, the top-down system of communication and power will be seriously questioned. To avoid such (an) inconsistency, Barnard claims that both types of authorities coincide most of the time: "In very rare cases persons possessing great knowledge, insight, or skill have this adequate information without occupying executive position [...] Such persons have influence rather than authority" (Barnard 1970, p. 174).

This makes the distinction between the two authorities rather blurred, but saves Barnard's hierarchical conception of organization.

1.2. Coase: anticipation of organizational flexibility

In considering coordination within the firm as distinct and opposite to the market Coase's article anticipated Simon's methodology without, however, sharing the bounded rationality assumption. The Coasian criterion of defining a firm relates to "direction", i.e. coordination of resources. This function is attributed to entrepreneur who *organizes* internal transactions and represents *authority*. To sum up:

Firm = coordination of resources by entrepreneur (entrepreneur = authority).

³ "There often occur occasions of compulsive power of individuals and of hostile groups; but authority is always concerned with something *within* a definitely organized system" (Barnard, 1970, p. 172)

Human resources are the main object of such coordination. Hence authority appears as an employee relationship, the ideal type of which Coase sees in “The law of master and servant” defining the contractual link employee – employer in hierarchical terms.

But the main interest of this contribution for our proposal is not so much in a definition of the firm, but in a justification of its existence, which according to Coase is due to transaction costs. This justification, which, from the 70s, resulted in the development of the neo-institutionalist approach (Williamson, 1975), is relevant for our proposal for the following reason. One type of transaction costs involves a long-term commitment for both contractual protagonists. In this case, “owing to the difficulty of forecasting” it may be not easy “to specify what the other contracting party is expecting to do” (Coase, 1937, p. 391). Therefore, It is one of the functions of the purchaser to mention *ex post* the details concerning the obligations of the seller-supplier. The resulting dependency with regard to the purchaser, in particular when it involves the provision of work coincides with the emergence of the firm. To put it simply, Coase introduces a very general idea of *decisional flexibility* resulting from authority relationship in certain conditions. In other words, the idea is to postpone the accuracy concerning the nature of the work within a contractual framework defined *ex ante*.

The following final remarks may sum up the Coasian model.

(1) Coase maintains the same hierarchical conception of the firm as that developed in the Barnardian conception of the organization. All the decisional power is given to a superior (entrepreneur), the role of subordinate being limited to executing directives and orders.

(2) Authority relationship is regarded as an employee contract. Coase is not very explicit about the contractual limits of authority, except that they are completely defined, fixed and related to monetary exchange.

(3) In considering the authority relationship within the “master-servant” framework, Coase analyzes the firm from a purely inter-individual perspective.

(4) The roles employee – employer are postulated. This introduces a kind of circular reasoning into the model. Specifically, it is because an individual is defined as an employee that he has a controlling function, but it is precisely this function that defines an individual as an employer.

2. Hierarchical aspects of authority in Simon

The methodological connections with Barnard can be formulated with regard to four points characterizing Simon's conception of authority

(i) Organizations are regarded above all as communication entities, and "systems of cooperative behavior" (Simon, 1997, p. 81). Drawing on Barnard's work, Simon puts the question of coordination viewed from the perspective of a search for consensus within organizations, at the centre of his conception.

(ii) For Simon, authority is primarily formal or hierarchical authority, which is associated to an official status in the organization. It corresponds to « the power to make decisions which guide the actions of others. It is a relationship between two individuals, one 'superior', the other 'subordinate'. The superior frames and transmits decisions with the expectation that they will be accepted by the subordinate. The subordinate expects such decisions, and his conduct is determined by them [...] When, and only when, these behaviors occur does a relation of authority exist between the two persons involved » (Simon (1957a), p. 125).

(iii) Simon, like his predecessor, clearly insists on the *acceptance* of the authority relationship. Such an approach is not *a priori consensual*, since the term "acceptance" is used in a somewhat wide sense⁴. Methodologically, this refers to the central idea of Simon's conception – to consider authority from the viewpoint of all organization members, in particular, of subordinates.

(iv) In terms of "zone of acceptance Simon (1951, 1997) develops the Barnardian idea of a "zone of indifference": the communicated decision should correspond for the subordinate to that zone, within which the orders are executed without any discussion⁵.

In this view, Simon seems to fully accept the hierarchical vision of internal coordination conceptualized by Barnard. According to this vision, intellectual responsibility being the preserve of those who hold the highest positions in the formal hierarchy; they make all the decisions and impose them on those who are at the bottom of the formal hierarchy within predefined limits.

As for the methodological links to Coase, they are mainly due to Simon's (1951) model, which, assuming perfect rationality, develops the Coasian proposition on the advantage of the hierarchical link over the exchange relation.

⁴ "The acceptance that is secured may be the « I do » of a shotgun wedding, but acceptance there must be" (Simon, 1957, p. 109). Consider Barnard (1970): "Even when authority rests on mere physical coercion it is *accepted* by those who ruled, although the acceptance may be due to a fear of force" (p. 164).

⁵ The limits of this zone depend on "the degree to which inducements exceed the burdens and sacrifices which determine the individual's adhesion to the organization » (Barnard, 1970, p. 169).

Three features of this model are relevant in this respect.

(i) The authority relationship, formalized as a bilateral relation between the employer (B) and the worker (W), provides a rational explanation for the existence of organizations with regard to the market: in a context of uncertainty, B is endowed with aptitudes of adaptation that far exceed those available to an agent who sub-contracts the product to be resold.

(ii) The relation «subordinate – superior» is defined not only as a formally hierarchical relation, but more specifically – and in accordance with the Coasian perspective – as an employee relationship (B hires W). This analysis of the authority relationship, both restrictive and exogenous, outlines the decisional flexibility, which results from the subordination link (with the mutual benefits it entails) in uncertain market conditions.

(iii) While the function carried out by B (decision-making in an uncertain environment) - is decisive for the flexibility of the action, W , by contrast, is exempted from any effort concerning the choice of the task, insofar as the latter lies within his *zone of acceptance*. Thus, the employer's behavior appears as active reflection behavior, in accordance with both Barnard's and Coase's hierarchical vision of the organization. In essence, it is this cognitive function of authority, which upholds the theoretical argumentation supporting the benefits of the organization in relation to the market.

So far Simon's conception appears to follow the hierarchical approaches to organization. His conception however implies and develops radical differences from the theories of Barnard and Coase. We can analyze Simon's substantial contribution by exploring at least three “non hierarchical” aspects of his conception of power in organizations: the cognitive, the informal and the legitimate aspects.

3. The cognitive aspects of power

One may distinguish three logical steps in Simon's development of cognitive issues in power relationships.

1) The *first* step is associated with Simon's general definition of authority.

Two points concerning this conception of authority, which are absent in Simon [1951], need to be made.

- The first point concerns the boundaries of the “zone of acceptance”: these boundaries are associated with the employee's technical competences. Thus, " professional

men and skilled workmen are apt to have relatively narrow zones of acceptance, particularly in the areas of their own professional competences or skills” (Simon 1957a, p. 131). Introducing skills into the canonical framework of formal hierarchy (employee = subordinate and employer = superior) leads to re-considering the authority relationship in the following way: by utilizing his professional abilities, the employee can move the boundaries of the “zone of acceptance” and protect himself against the authority of his “superior”. With regard to the Barnard/Coase conception, the employee relationship becomes more complex, and is now characterized by various possible degrees of autonomy (or of obedience)⁶.

- The second point concerns the general understanding of authority, which is defined in terms of a reduction in critical reflection ability. According to Simon, “authority is exercised over an individual whenever that individual, relaxing his own critical faculties, permits the communicated decision of another person to guide his own choice” (Simon [1957a], p. 151). At first sight nothing much has changed in the authority-relations, and only a difference in emphasis separates this definition from the hierarchical vision. What is explicitly emphasized here is the cognitively active function of the “superior”: “Obedience [...] is an abdication of choice” (Simon 1997, p. 180).

However, the whole perspective of analysis has been completely reversed, since indeed, “relaxing his own critical faculties” and refusing to judge a decision can concern both employee and employer. From this standpoint, there is no reason to identify the first role – employee – as “subordinate” and the second one – employer – as “superior”. In other words, accepting (and vice versa, imposing) authority becomes a *function of the utilization of cognitive abilities*. As Simon claims, “when A is superior to B at one moment, B may act as superior to A at the next moment” (Simon [1957a], p. 128). Accordingly, exercising authority has no unique direction (“downward”): from the formal hierarchy point of view, it can also be “upward”, and even “sidewise” (Simon, 1997)⁷.

2) The next step consists in viewing formal authority in the larger context of “forms of influence”. Simon (1997) speaks in particular, of “training”, “qualifications”, “information”, etc. What all these expressions have in common is to define various states of organizational knowledge (static or dynamic, individual or collective...). The important point is that the

⁶ In the same vein, March and Simon (1993) insist on “the amounts and kinds of discretion” in the activities of organizational participants executing the prescribed instructions (p. 168-170).

⁷ “If an executive delegates to his secretary a decision about file cabinets and accepts her recommendation without reexamination of its merits, he is accepting her authority” (Simon [1957a], p. 12) As Simon continues with respect to this statement, “Here is evident the same relaxation of critical faculties that we have said was characteristic of authority” (1997, p. 181).

control of this knowledge, in any of these states, permits one to control power. Simon emphasizes that this kind of power may replace formal authority quite efficiently.

More generally, the author uses the term “authority” to refer to this kind of power that stems from mastering professional competences and more generally from utilizing cognitive capabilities. Thus, an important distinction appears, when the author makes a clear distinction from what he calls “*authority of ideas*”, due to the recognition of technical skills and independent of the formal position, from what he calls “*authority of sanctions*” associated to official status in organization. As Simon points out, it is in the context of an organization that “the authority of the technical specialist” expresses itself in decision-making, “particularly the authority that operates upwards and sidewise in the formal organizational hierarchy” (Simon, 1957, p. 106).

There is therefore a multiplication of various types of power centers within organizations – and Simon does not hesitate to separate power, which derives from mastering skills, and power, which derives from the formal executive position within the official chart. Thus the recognition of the employees' cognitive capacities leads to recognize a decisional power associated to skills and strongly challenges the unilateral direction of subordination.

Such a “split” of authority has an important methodological implication. According to Barnard/Coase, the “superior-subordinate” roles always remain fixed. According to Simon, if there is a hierarchy, it can be inverted following the inversion of these roles, which become interchangeable. Hence, *the authority of Barnard/Coase - and then the employee relationship in Simon's 1951 model – do not represent the general archetype of the authority relationship, but a specific case of such a relationship*⁸.

3) The third step in developing the proposal this paper wishes to defend consists in challenging another essential point of Simon's 1951 model: the uncertain environment (reduced to a knowledge of market prices), which allows the subordination of employee to employer to become advantageous.

This relation between power and uncertainty is analyzed by March and Simon (1993), this time from the perspective of bounded rationality. The authors examine some “specific points” in the communication structure that are related to the processing and transmission of incoming information. A member of the organization who holds such a position plays the role

⁸ Note that this analytical perspective has proved completely contrary to the general approach adopted in most neoclassical work that regards the authority relationship as a specific case of employee relationship (see, for instance Hess, 1983).

of a filter, by summarizing and structuring events and by communicating the processed facts to other members. According to March and Simon, this task is crucial in what they call the “process of uncertainty absorption”. It follows that the individual who controls this specific communication point accumulates knowledge, which allows him to influence the decisions of the other members of the organization: “The ‘facts’ he communicates can be disbelieved, but they can only rarely be checked. Hence, by the very nature and limits of the communication system, a great deal of discretion and influence is exercised by those persons who are in direct contact with some part of the “reality” that is of concern to the organization [...] Because of this, uncertainty absorption is frequently used, consciously or unconsciously, as a technique for acquiring and exercising power” (March and Simon, 1993, p. 187).

Once again, the power of coordination draws, on one hand, on the use of organizational skills by those who hold it and on the other hand, on the suspension of their critical aptitudes by those who recognize this power and obey.

The important point is that this reasoning offered by March and Simon condenses the behaviorist approach to organization viewed both as a cognitive structure and as a coordination mechanism.

- The power in organization reflects uncertainty due to bounded rationality. From this standpoint, power relationships appear, first of all, as a constraint: the members of the organization are obliged to accept the information transmitted by other members as well as the resulting processes of decision-making and coordination of behavior. Such a constraint is of a cognitive nature: the state of knowledge does not allow one to control (“check”) the information in question.

- However, it is precisely because an individual *does not want to control* all possible information that he enters an organized group, which embodies distributed knowledge. Being a member of an organization provides such an individual with this advantage of receiving information filtered and structured by colleagues and thus, of economizing intellectual effort⁹. The cognitive constraint therefore transforms, into explicit or implicit agreement: the members of the organization behave *as if the knowledge that they receive were actually true*. The power of skills relies, in fact, on this arrangement between the group members, which concerns the acceptance of an uncheckable state of transmitted knowledge.

Such an arrangement could be defined in terms of *conventional* agreement, which is based on shared trust. This convention serves as an implicit basis for internal coordination of

⁹ As Day formulates this link between such an obedience and training: “Doing what are you told to do may be an excellent strategy when you are ignorant and have much to learn before you could exercise your own discretion” (Day, 2004, p. 715-724).

beliefs and decisions in the context of bounded rationality. In other words, everybody tends to refer to that arrangement and knows that every other organization member tends to do the same thing.

Thus, by questioning the cognitive aspects of power, March and Simon addressed the issue of conventions as forms of coordination within organizations.

Conventional phenomena reappear, now as customary rules.

4. The social aspects of power

This time, the multiplication of decision-making centers draws on customs. Following Simon, one can distinguish three points, which translate different perspectives on the link between customary rules and power in organizations.

(i) The first point is to regard customary rules from a perspective of informal organization. Such an organization, built and maintained by a group of employees can “also create an authority relationship if one of the individuals comes to accept the leadership of the other” (Simon, 1997 p. 213-314), or “informal authority relations in the day-to-day work of the organization” (Simon 1957a, p. 12).

It may appear that this precisely meets the conception of Barnard, who, as we have seen, acknowledged informal organization.

Contrary to Barnard, however, Simon does not stress the emotional or irrational nature of informal organization, but emphasizes instead its “constructive role”. Firstly, it is the executives who benefit from such practices, and more generally, an official status is quite compatible with informal power. Both types of authority, formal and informal, can therefore coincide, thus leading to a very strong power position. Secondly, formal rules do not succeed in defining all execution procedures: “Even if it were desirable, the formal structure could not be specified in such detail as to obviate the need for an informal supplement” (Simon, 1997, p. 198). In this context, the informal organization becomes necessary and vital, since not only does it contribute to maintain the spirit of cooperation, but also it also directly helps to achieve official objectives by making use of its own system of communication¹⁰. To sum up, informal organization may be very rational – from the viewpoint of formal organization!

¹⁰ “It becomes a major task of the executives, then, to maintain attitudes of friendliness and cooperation in these direct personal relationships so that the informal communication system will contribute to the efficient operation of the organization rather than hinder it” (Simon, 1997, p. 214)

(ii) The main and more general point is to consider customary rules as a fundamental basis of power in organizations. Thus, Simon (1952) clarifies the principal source of the authority relationship: “generalized mores about superior-subordinate roles” (p. 1135). Customary norms determine the limits of formal authority and superior/subordinate figures. As Simon (1997) points out, “perhaps the most important basis for such role-taking is custom [...] Not only does society set up in the individual expectations of obedience in certain social situations, but the individual who fails to accept his role will feel, in one way or another, the social disapprobation of his fellows. Insubordination can be as embarrassing, under these circumstances, as failure to wear a necktie to church” (p. 183).

Thus, “society” and “fellows” correspond to two sources of coordination by custom.

- First, custom refers to rather general attitudes. As Simon argues, “[...] the degree of obedience expected will vary with the social situation” (Simon, 1997, p. 183). Such general, or “societal”, behavioral mores and norms can be translated into legislation; in this case the law as a written convention determines the limits of subordination. At this point, customary rules intervene as *external* rules, which are formalized as legal principles. Evidently, there is a strong conceptual interaction with the institutional tradition of John R. Commons. For the latter (Commons, 1934), the employer’s decision is largely guided by the Common Law principle which actually integrates the jurisprudential system and custom in a dual sense: the law derives from the formalization of previously unwritten rules; and the application of legal norms, in turn, refers to the customary logic of a precedent¹¹. As we see, according both to Commons’ institutional conception and to Simon’s approach¹², the limits imposed on formal authority – such as labor legislation – are justified by referring to social norms, largely taken for granted and, from this viewpoint, legitimate “*par excellence*”.

- Second, custom has local sources. “Authority is accepted when rejection would incur disapproval from persons whom an individual regards as his “reference group” – a group in which he wants acceptance and approval” (Simon, 1957, p. 105). Here, the foundations of obedience for an individual have organizational origins: “The organization assigns him a role: it specifies the particular values, facts, and alternatives upon which his decisions in the organization are to be based” (Simon [1957a], p. 198). This time, customary rules are *internal* rules; created by a particular organized group, they coordinate individual behavior as specific regarding other organizations.

¹¹ “In short, the common-law *method*, or the way of acting, is itself a custom, with variabilities, like other customs ” (Commons, 1934, p. 73, emphasis in original).

¹² There are insightful analyses of links relating Simon to Commons – which do not necessarily correspond to the interpretation proposed in the present paper; see for instance Forest and Mehier (2001); Kaufman (2003).

The point is that these “generalized mores” are not reduced to the official organizational codes or ethics, since conventional rules followed within reference groups may go against the formal hierarchy, and informal “social sanctions may operate to decrease the effectiveness of authority” (Simon [1957a], p. 132).

(iii) The third point consists in not completely separating this power, which is based on customary rules and interpersonal relations, from the power of competence, which was examined in the previous section. Thus, the “specific point” allowing one to obtain decisional power in the organization very often represents a position held within the *informal* communication system: “Again, the formal structure of authority may only play a small part in this process, and may actually, except in cases of disagreement, be disregarded by the lines of communication” (Simon 1957a, p. 138).

To sum up, this approach to power implies that conventional rules and in particular behavioral norms produced and utilized by a group of employees are constitutive sources of coordination. In addition, with regard to the achievement of organizational goals, informal decision-making can replace official coordination quite efficiently.

5. Legitimacy and power

In investigating social/conventional dimensions of power, Simon introduces the issue of legitimacy, another problem that does not directly appear in Barnard's and Coase's analysis. The question Simon addresses is this: what justifies behavioral rules and different forms of power in an organization from the viewpoint of its members? “The motive of legitimacy refers to the tendency of people to do what they feel they ‘ought’ to do [...] To the extent that people respond to the motive of legitimacy, the acceptance of authority can be secured by legitimizing the right to give orders and the obligation to accept them” (Simon, 1957, p. 105). The essential idea is that legitimizing should not be understood in a juridical sense: for Simon (1952, 1957), authority refers to *attitudes of legitimacy*, or *feelings about legitimacy*, and has a “psychological” meaning

This is consistent with the major characteristics of Simon’s paradigm, which is to regard organizations not only in terms of their economic or technical efficiency, but first of all from the standpoint of behaviors and beliefs of individuals and primary groups.

Accordingly, the legitimacy of the power relationship as viewed by “executants” appears as a principal condition for coordination and cooperation.

This is the reason why Simon mainly focuses on official hierarchies, i.e. on how a simple “executants” can be made to recognize, adopt and follow a set of regulations that are *external* to their own group, namely formal authority and rules. “When we refer to power as formal, what we appear to mean is that an internalized attitude toward legitimate authority provides the motivation for acceptance of the relationship” (Simon, 1952, p. 1133). Since legitimacy refers to the executant’s beliefs about justice or efficiency (and his representation of relevancy of power relationships), it is crucial in accepting formal relationships – comparing to informal relationships. In other words, when regulations are *internal*, like informal power and rules, they are produced and applied by the executants themselves. In that case, the problem of legitimizing is not put in the same way as in the case of formal, or external regulations, or it is not posed at all. As stated by Simon, “While feelings about legitimacy undoubtedly play a role in primary group relationships, I would conjecture that they take on additional importance when they serve as a substitute for the immediate experience of approval and disapproval in face-to-face relationships” (ibid).

From this perspective, the “society” and “fellows” we were talking about in the previous section constitute sources of power insofar as they serve as principal ethical justification of intra-organizational regulations.

While “society” with its institutions and “generalized mores” provides a great part of such legitimacy and hence, “in some cases formal authority may be a sufficient inducement for the subordinate to comply” (Simon, 1997, p. 217), the influence of “fellows”, i.e. reference group, is of particular importance. Thus, “when a particular system of authority is accepted as legitimate by the members of a group, not only do they tend to accept authority in their own behavior, but they tend also to exhibit disapproval toward the members of the group who do not accept it (...) I would conjecture that it is through this indirect mechanism that the motive of legitimacy obtains its greatest force” (Simon, 1957, p. 105).

Thus, not only did Simon raise the question of legitimate power (why people “feel they ‘ought’ to do”), but he directly associated it to the question of social norms. From this perspective, the power of legal principles, or that of the employer proceeds both from the same source: they are imposed “[...] much more by socially indoctrinated ethical notions than by the fear of (official – R.K.) sanctions. That is, the individual in a particular society believes that he *ought* to obey the laws adopted by the constituted authorities and that he *ought* to recognize property rights” (Simon, 1997, p. 188).

6. Simon's power and conventionalism

The French Theory of Conventions (FTC) (Eymard-Duvernay 1987, 1997; Favereau 1986, 1998, 1999; Orléan, 1989) draws on (1) two main heterodox ideas, on (2) one basic concept and on (3) a methodological approach, which uses insights from different social sciences.

(1) The first two ideas are: bounded rationality and organization as a form of adaptation to individual cognitive limits. Both ideas (full acknowledgment of the former leads to the acceptance of the latter), directly inspired from Herbert Simon's decision-making theory, mark an important difference from the neo-classical approach.

(2) While integrating these cognitive questions into organization analysis, FTC emphasizes the coordinating role (in the primal sense: how people manage to coordinate and to cooperate with each other) played by conventional phenomena.

One of the types of conventions specified by FTC refers to a specific kind of behavioral pattern. Their canonic characterization is given by the philosopher David Lewis (1969) who speaks about arbitrary, implicit rules, which are, moreover, of obscure origin: nobody knows exactly where they come from. Individuals conform to these rules in order to coordinate their behavior in order to face recurrent problems, in the absence of explicit agreement on the expectations and actions of others. Conventions, conceptualized by Lewis within the game-theoretical framework, are self-enforcing regularities supported by informal social sanctions and strongly resistant to formal pressure. To sustain his model, Lewis adopts, in addition, a very strong methodological assumption of Common Knowledge: very simply, in a population of individuals-players, everyone knows that everyone knows, etc... that everyone's behavior is consistent with convention.

While not sharing the cognitive assumption of Common Knowledge, FTC outlines the generality of some major features of the Lewisian concept. Specifically, French scholars regard such conventions in their most traditional meaning – as *conventional rules*, which act as guidelines for *behavior*¹³. This form of coordination is ubiquitously presented within organizations, in the form of traditions or rites, and in particular as a set of workplace customary rules that can have a strong impact on the authority relationship¹⁴.

¹³ The other type of conventions distinguished by FTC refers to a conventional knowledge, which coordinates representations and interpretations of reality in organizations. See, for instance, Favereau (1986).

¹⁴ The classical reference is still Doeringer and Piore (1985).

(3) The behavioral norms French conventionalists appeal to condense their paradigm, which outlines three interrelated dimensions: these conventions appear at the same time as **coordination** rules within organizations, mechanisms of adaptation to bounded **rationality**, while translating, moreover, **ethical** criteria according to which organizational behavior should be considered as “correct”, “just” or “right” in a given situation. It follows that, according to FTC, understanding coordination problems, should simultaneously imply the analysis of both the cognitive process and moral judgment.

In that view, Simon anticipated the research program of FTC. In fact, by analyzing custom, Simon’s paradigm implies an important methodological consequence. Not only does custom supply an explanation of power relationships in terms of conventional norms, but also it allows one to overcome the major objection concerning the very fact of regarding organization as set of conventions. Actually, the “artificial” nature of formal organizations with assigned duties and intentionally conceived hierarchies which are often defined in written and explicit terms, seem to be contrary to informality and arbitrariness that are usually – at least for Lewis – identified as the main features of convention. However, by considering custom as a constitutive source of formal authority and organizational roles, Simon readdresses the problem of organization as a problem of social norms – norms which are arbitrary (there could be another set of norms ruling organizational behavior in the same situation), supported by informal sanctions and based on societal or organizational traditions – or to use Lewis’ terminology, on “coordination by precedent”.

In addition, questioning the issue of the legitimacy of authority led Simon to stress the collective and moral aspects of such coordination. Hence, the organization becomes a nearly perfect object to be studied in conventionalist terms. More specifically, it looks like a hierarchy of conventional rules.

To conclude at this point, focusing on custom implies the appearance of a coordination mechanism that relates ethical beliefs to cognition in organizational settings. Since this appearance refers to a set of conventional norms, it involves a major connection between Simon’s theory and FTC in the sense that both paradigms combine the analysis of organization and that of convention.

Conclusion

Simon’s theory of power, which is a part of his decision-making paradigm, anticipated – among many other conceptions – the research project of the French Theory of Conventions

(FTC). In particular, two essential conclusions from the Simonian conception of power may form a solid methodological basis for the “conventionalist” approach to enterprise. First, Simon explicitly acknowledges the rationality of behavioral rules produced and applied by employees, and of the informal power they can hold. This rationality is viewed above all from the general standpoint of organizational efficiency and not only from the “narrow” standpoint of executives themselves. Second, Simon’s power is to a large extent a conventional phenomenon, shaped by societal and organizational (non-written or formalized) traditional norms. From this perspective, moral beliefs interiorized by organization members generate, justify and maintain authority relationships. Some of the analysis along these lines goes under the conventionalist mark. Both Simon’s and FTC’s research draw heavily on interrelated insights from organizational sciences, economics, social and cognitive psychology, and sociology in order to investigate the coordinating function of power by considering cognitive and ethical dimensions in organizations.