

Bureaucracy and Democracy: Legibility, Tension, and Institutional Implications for Business

An earlier paper of mine explored how bureaucracy supports democracy by distilling the complexity of society through a process of abstraction. This abstraction breaks reality into manageable categories relative to a purpose- allowing analysis to be efficient. However, a tension exists within this abstraction process: How much abstraction is too much? Is there an optimal level that enables the best decision to be made?

These questions, rooted in political economy, could also be extended to businesses. If abstraction and legibility issues exist in political institutions- why wouldn't similar dynamics shape corporate decision making? If such dynamics exist- what are the problems that may arise? And how do we solve these problems within a business context?

Understanding these dynamics allows firms to design systems that are purpose-driven, operationally sound, and responsive to real-world complexity.

Section 1: A summary of the Concept of Abstraction and Legibility

Section 1A: The nature of Abstraction

My Political economy paper argued that:

1. Reality is too complex. Complex due to the range of actors, the nature of these actors and their propensity to change how they behave in different contexts.
2. Organisations may not have the resources, knowledge, time or ability to fully engage with the extent of the complexity that is presented before them. Thus, they need to abstract reality to make it more legible.
3. This process of abstraction creates a tension to the true ideals of legibility. One does not know or may not have the ability to achieve the correct level of abstraction. Therefore, one could have too much abstraction or not enough abstraction of reality. Thus, affecting decisions and outcomes.

Section 1B: Abstraction in a Political Economy context and its issues

The process of abstraction has three stages. Firstly, the nature of abstraction is defined by purposes. These purposes could be questions or outcomes that need to be reached. Secondly, a measurement process needs to be created relative to the purposes. Thirdly, one employs techniques or methods related to the purposes to achieve objectives or analyse events.

In a political economy context, the state offers the purpose. The bureaucracy in their various formats internalises these purposes to create a measurement process that is standardised. Then employ techniques to understand the current position of reality relative to what needs to be done.

This process of abstraction to make the world legible could have many issues embedded with it. Some of the main issues include:

1. Flawed purposes
2. The measurement process does not capture the correct categories.
3. Imposition of different costs on different groups to engage with the institution
4. Wilful ignorance of internal circumstances

Section 2: Abstraction in business contexts

There does seem to be an argument that business functions do map onto political entities such as the state. There is a strategy function within business such as C-suite. Closely resembling heads of departments or the State itself.

A set of administrative functions that enable the other functions to work efficiently such as Finance, IT, and HR. Closely, resembling the bureaucracy or Civil Service. Finally, a set of operational functions that are outcome oriented. These are Operations, Marketing, R&D, Sales etc. In the case of political entities, these would be the organisations that interact with individuals or the territory at large.

This mapping would suggest that some of the problems stated within abstraction could also erupt in political contexts.

Section 3: Abstraction Problems in Business

This section will look at the first problem of flawed purposes through the lens of Kodak.

Section 3a: The case of flawed purposes (Kodak)

In 1975, Kodak was valued at \$31 billion, yet by 2012, it had filed for bankruptcy. Anthony (2016) identifies four critical missed opportunities that contributed to this decline.

The first was Kodak's own invention of the digital camera in 1975. Despite its disruptive potential, management's initial response was dismissive - reportedly calling it "cute" and advising not to share it. This moment represented a chance to redefine Kodak's strategic purpose, shifting from chemical imaging to digital storytelling.

Secondly, Kodak did invest heavily in digital equipment, but its approach was flawed. Rather than embracing the simplicity and accessibility of digital photography, the company attempted to replicate the performance of traditional film- misaligning its techniques with emerging consumer preferences.

The third opportunity came with Kodak's acquisition of Ofoto in 2001, a photo-sharing platform that predated Facebook and Instagram. Instead of leveraging Ofoto to pioneer social memory-sharing, Kodak used it to promote photo printing-reinforcing its legacy business rather than innovating toward a platform-based future.

Finally, Kodak failed to respond to clear market signals. Fuji, once a distant competitor, diversified aggressively into adjacent digital ventures, including healthcare and office automation. This strategic pivot reflected a recognition of shifting technological and consumer landscapes- signals Kodak largely ignored.

Anthony (2016) argues that Kodak's downfall stemmed from a flawed strategic assumption: that digital memory sharing was not the future, or at least not imminent. Yet the company had multiple opportunities to live out its iconic tagline- "share memories, share life"- through rebranding Ofoto, developing consumer-centric devices, or partnering with emerging tech firms. Instead, Kodak abstracted the wrong purpose from disruption and built its strategy around preserving the past rather than embracing the future.

Section 3b: The source and cost of flawed purposes (Kodak)

Kodak's strategic failure can be traced directly to its core business unit—the strategy function - which misread digital transformation as a threat rather than a platform for reinvention. This unit overcommitted resources to legacy film infrastructure, failed to act on competitive signals like Fuji's pivot, and constrained innovation by interpreting its tagline through outdated delivery models. The issue wasn't just execution- it was a flawed perception of reality embedded in strategic logic. As a result, Kodak's purpose drifted from relevance, costing the company its leadership and ultimately its survival.

The source of Kodak's flawed strategic purpose within the business unit is open to interpretation. It may stem from corporate myopia—a narrow focus on legacy success that blinded leadership to emerging paradigms. Alternatively, it could reflect a strategic failure to anticipate change and map out the full spectrum of possibilities. Kodak appeared to perceive digital transformation not as an opportunity to innovate and add value, but as a threat to its core business model.

Another possibility lies in a lack of confidence in the company's own tagline- "share memories, share life." Rather than exploring diverse realizations of this ideal, Kodak pursued only one: physical photo printing. This constrained vision limited its ability to adapt the brand to new digital ecosystems.

Perhaps most striking is the internal ignorance of external reality. Even as competitors like Fuji pivoted toward digital ventures, Kodak remained inert. This echoes the fourth dysfunction often observed in political organizations: *wilful ignorance* - a conscious or unconscious refusal to engage with inconvenient truths. Whether driven by cultural rigidity, strategic misalignment, or psychological denial, the result was the same: Kodak failed to recalibrate its purpose in line with technological and social shifts.

Whatever the source, the consequences of flawed purpose were profound. Kodak's inability to reimagine its identity in a digital age proved not just costly, but existential.

References:

Anthony, S.D., 2016. *Kodak's downfall wasn't about technology*. Harvard Business Review, [online] 15 July. Available at:

<https://hbr.org/2016/07/kodaks-downfall-wasnt-about-technology>