Business Organization, Work and Society

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MANAGEMENT

LABOUR

LAW

PROFIT

DECISIONS

UNIONS

GROWTH

RISK

CAPITAL

RECRUITMENT

TECHNOLOGY

MARKET

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business texts

Business Organization, Work and Society

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Contents

1

Introduction

A famous American bank robber, Willie Sutton, was once asked, 'Why do you rob banks?'. He answered, 'Because that's where the money is'.

For most of us work takes a different form from bank robbery, but perhaps we have a similar motivation to that of Willie Sutton. Work is a major means of earning money. The vast majority of us have to work in order to live in any degree of comfort. The Willie Sutton explanation can also be applied to business activity as a whole, in that business makes money so that we as individuals can make money. In Great Britain about 25 million of us are beavering away at this activity at any one time.

This book is concerned with the social context of paid employment, or work, and with trying to understand the individual motives and social constraints that influence our working lives. We shall concentrate on uncovering the complex of factors which underlie the simple assumption that work is only about earning money. Among the questions posed will be: How did we come to be where we are now? What are the principles and beliefs that hold together all this money-earning activity? What does the future hold and what will be important in determining the nature of work in the next 20 or 30 years?

The term 'business organization' is a useful one for bringing together a wide range of relevant factors concerned with work. Business organization can be understood in at least two ways. First, it refers to the *organizations*, private firms and public corporations, for which most of us work. (The number of self-employed people in Great Britain has been declining gradually over several years.) We shall devote a good deal of attention to organization in this sense. Second, business organization has a broader meaning when it refers to the fact that business activity in general is made up of *organized social behaviour*. In other words, business activity can take place only in a cultural,* political and social environment which it reflects, on which it depends and which in turn it influences. As we shall see, the activity of business involves much more than is normally contained in a purely economic analysis.

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* An asterisk indicates a term defined in the glossary at the end of the chapter.

The economic system will be at the centre of our attention, of course, so it is worth while being clear about the meaning of this term. One useful definition runs as follows:

> an economic system comprises sets of opportunities and limitations which influence those individuals in society who make decisions about the allocation of resources through the production and consumption of goods and services. The main agent of production is the business enterprise or firm, responsible for harnessing inputs and transforming them into outputs. Businesses come in a wide variety of forms differing in size, ownership and objectives, organizational structure and product-market relationships.
>
> T. Kempner et al (1976), p. 8

This is obviously a vast topic and therefore we need to discuss how this book will deal with it all, which is the basic aim of the rest of this chapter.

In particular we shall attempt to do three things:

1. To set out the major approaches and perspectives used.
2. To explain how each of the chapters is arranged.
3. To make clear the overall logic of the book.

One approach to understanding the complexity of business organization and work, and their relationship to society in general, is to consider what each of a number of relevant academic disciplines has to offer. Thus economics, statistics, law, political science, psychology and sociology all have a contribution to make. While all of these disciplines may be necessary for a full understanding of the business world, none of them is sufficient on its own to explain the complexities involved. Clearly we need to select and arrange what is useful, relevant and valuable from each of these individual accounts and assemble their arguments in a way which makes sense both intellectually and in relation to the practical problems of the business world. By doing this we can begin to construct and apply a pattern of analysis to the issues that confront us. Once we have a basic pattern with which to work we can more easily incorporate and understand particular issues and problems. In taking this broader approach the discipline of sociology is especially valuable, as it offers us a wider perspective on the many interrelated aspects that connect business, work and society. Throughout the book we shall draw on all the disciplines mentioned above, often tying them together with some basic sociological concepts.

Each of the nine chapters that follow takes up a specific aspect of business organization and in each chapter we have included a diagram which sketches out the main issues covered and how they are related. We hope these will act as guides when reading and discussing the contents of the chapter, but it is not necessary to grasp the full meaning of the diagram before proceeding with the rest of the argument. Indeed, the diagrams are not essential for a full comprehension of the chapter: they are there simply as aids to understanding.

Each chapter also includes what we have termed a 'case study', where a particular topic is discussed in more detail to emphasize some of the major points from the main body of the argument. The case studies cover a wider scope than is usually found in a strictly 'case-study approach' to the study of business in order to fit in with the overall analysis guiding the book. At the end of some chapters you will find a glossary of terms explaining particular ideas in more detail. You will also find a short list of

discussion topics following each chapter; as their name suggests, they are there to provoke discussion of central issues and to remind you of some of the major points.

1.1 PLAN OF THE BOOK

Most important of all is the way in which the chapters themselves are arranged, as this represents the pattern of analysis referred to above. Figure 1.1 sets out the overall plan of the book.
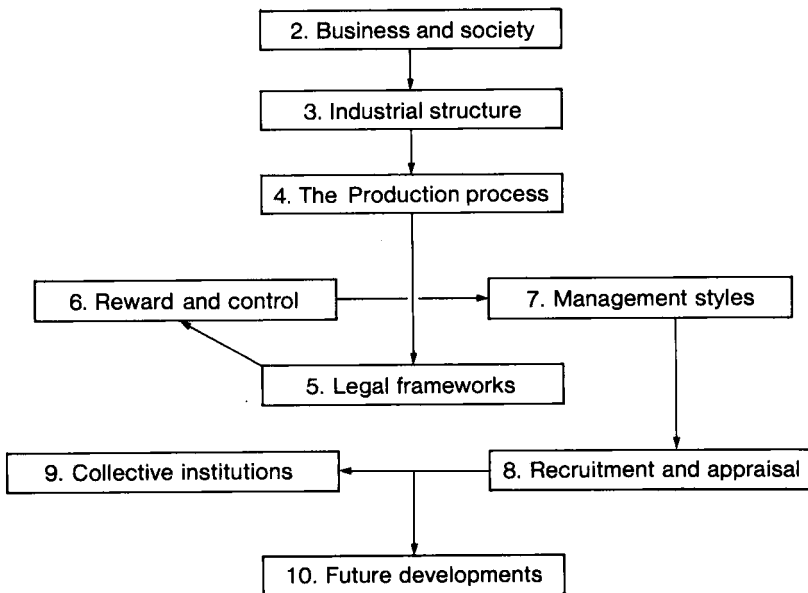
Figure 1.1

In Chapter 2, 'Business and Society', we consider some of the general social historical factors which have been, and continue to be, important in the development of business organization and work, in the context of the wider society. As societies change so does the nature of work, influenced in particular by cultural and political factors. The third chapter narrows the focus somewhat, to concentrate on the 'industrial structure' of modern British society. We shall look at the basic principles of economic and business organization and the way the factors of production are distributed and utilized. Chapter 4, 'The Production Process', considers the way in which work organizations are structured in relation to the problems they face from both the external environment and the difficulties of internal co-ordination. Although each organization may be thought of as unique in some ways, we shall see that organizations also share many common features and challenges. Overall in Chapters 2, 3 and 4 we shall be dealing with the larger issues of business organization and work,

thereby providing a backdrop against which to consider more specific aspects of work activity.

In Chapter 5 we consider the topic of legal frameworks. The law influences how businesses operate, and how working relationships are organized and controlled, in a number of ways. For this reason Figure 1.1 places 'legal frameworks' in the middle of a 'box' of the four subsequent chapters, which are all affected to some extent by the operation of the law.

Chapter 6 turns to the question of reward and control at work. The idea of reward is central to work, as we have noted already, and because of this it has a major role to play in controlling both the organization of work in general and the activities of individual workers in particular. This theme of control is continued in Chapter 7, 'Management Styles', where we review the main approaches adopted by managers in recent years and consider some of the problems and challenges they have to face. This in turn leads us on to the topics of recruitment and appraisal in Chapter 8. How workers are selected for jobs and how they are trained and assessed once they are employed are clearly key aspects in any understanding of working life. Careful recruiting and appraisal procedures may help to maintain managerial control and organizational co-ordination.

Many aspects of work are fundamentally influenced by the existence and operations of trade unions and employers associations. These 'collective institutions' are the subject of Chapter 9. The process of bargaining and the threat of industrial action affect payment systems, management approaches and recruitment procedures, as well as attracting the use of the law as a means of controlling industrial relations. The relative power of workers and owners is most starkly represented in the struggles between trade unions and management and the disruption resulting from strikes, and we shall need to analyse all these issues.

In the final chapter we return to several of the main arguments raised in earlier chapters and consider some of the likely 'future developments' in the organization of business activity. In particular we shall consider the influence of the 'new technology' of microelectronics in the context of wider social issues central to the development of advanced societies. In this area, as in all the others, there are no easy answers to be found.

There are, however, many theories attempting to explain and predict events, and in an important sense we are all theorists when it comes to the way we live our lives. This is because all of us make predictions and have expectations based on the assumptions and theories we hold about how and why the world works, particularly the world of business and work. A major aim of this book is to consider some of the major theories in existence and to investigate how well they are supported by evidence. In this way we hope to gain a better understanding of the complex interrelationship of business organization, work and society.

Glossary of terms

Culture—The culture of a society or social group consists of the pattern of ideas,

values, beliefs and knowledge that members of that society or group have about themselves and about their social and physical environment.

References

Kempner, T., MacMillan, K. & Hawkins, K. (1976) *Business and Society*. Harmondsworth: Penguin.

2

Business and Society

The world in which we live is complex and uncertain. Most of the time things proceed in a predictable and expected fashion and we avoid many possible surprises by adopting fairly wide limits of tolerance in our anticipation of events. Usually we are best at predicting outcomes in our immediate personal environment, but when confronted by wider and more distant issues our certain prognostications tend towards uncertain prophecies. The main cause of this problem is of course human beings themselves, who usually conform to our expectations but also have the annoying ability to 'change their minds', 'fly in the face of reason' and so on. Therefore the way we relate to our society, its overall complexity in general and other individuals in particular, is a great problem for all of us.

2.1 THE SOCIAL CONTEXT OF BUSINESS

A common approach to coping with such problems is to start with that which we think we know best – ourselves. From this viewpoint we can confront the world as unique, free, more or less rational, sometimes emotional, decision-making individuals. This does not get rid of the complexities, but we can perhaps rest assured that we possess the abilities to adapt and influence whatever the world may throw at us. Such a heroic individualistic stance, however, must be seriously questioned. Can we ever fully separate ourselves from the wider social context, the influence of other individuals and broader social forces? If the answer is 'no' then the next question is how to organize our understanding of the relationship that we have with the social environment. In this chapter we shall investigate this problem in three main ways: by looking at the general range of factors that we need to take into account; by considering the historical developments which have led to the emergence of industrial capitalism; and

by analysing the issue of industrial development in a broader international context. Let us begin by considering what general aspects need to be included in our account. Figure 2.1 presents one set of factors to which we shall make frequent reference throughout the rest of the book.

In general Figure 2.1 suggests that individuals, particularly at work, display their talents in a context determined by the structure(s) of one or more organizations.
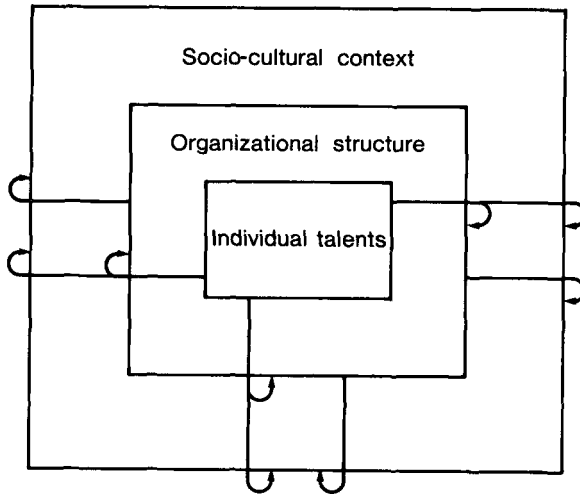
Figure 2.1

Furthermore, organizations themselves operate in an environment which constrains their freedom of action. This environment we have labelled the socio-cultural context, a term that will be explained shortly. We should also note that the direction of influence is not all one way but that the inner aspects also affect their surrounding environment, as is suggested by the arrows in Figure 2.1. Let us now consider each of these factors in turn.

Individual talents

For some people individual behaviour is the beginning and end of the matter. Society and organizations are necessarily made up of individuals, so that is where we must look to explain how these things operate. A frequently used argument asserts that all individuals exhibit that universal characteristic, human nature, and so once we understand human nature we have cracked the secret of understanding social life.

Unfortunately, the idea of human nature is very difficult to define, and is often used in contradictory ways. For example, it may be used both to explain somebody's *exceptional* behaviour ('it is human nature to be different/cussed/awkward') and as the reason behind some *universal* characteristic ('the trouble is that people will work only if they have to; it's human nature'). If however, human nature is to be a worthwhile

term for explaining human behaviour, it should refer to the way in which similar situations inevitably evoke similar reactions in behaviour, or to some overriding principle that determines behaviour. For example, when talking about animals we describe their behaviour by referring to their instincts. Instinctual behaviour is inherited, to a large extent unaffected by social learning, and something over which the individual animal has little control or choice.

In humans it is very doubtful whether identifiable instincts exist above a very simple level represented in the basic needs for air, drink, food, warmth and reproduction of the species. Human behaviour seems inexorably linked to cultural background and social learning. Within this context we do have some choice, which we express through that most human of attributes, language. If we are hungry then we are governed in our attempts to satisfy that need by a multitude of social conventions. Immediate gratification of hunger would often result in behaviour we label as theft, a meaningless concept to animals. The fact that in our society hunger and theft are linked relatively rarely says much about the power of cultural values and social training.

If instincts are not very helpful in accounting for human behaviour then two other terms are. First, individuals have *abilities*; whether these are mainly inherited or learned is a contentious question, but quite clearly many of our specialized skills can be acquired only through education and training. (We shall look at this aspect more closely in Chapter 8.) Second, individuals also pursue *goals*. Human action involves choice, but we usually make a fairly clear distinction between realistic and fantasy goals. In other words, we relate to our social world in terms of how it is rather than how we would like it to be. The limitations on individual human choice are neatly summed up in the following:

> Men make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past.
>
> K. Marx (1972), p. 10

Organizational structure

One of the very important circumstances we all encounter is the influence of organizations. Most of us work in organizations and indeed nearly all of us are born in organizations (hospitals) and rely on religious organizations to dispatch us (perhaps) to that final 'big organization in the sky'.

By definition, organizations are structured: without structure no organization could exist. At a personal level we encounter this structure most clearly in terms of organizational rules. Most of the time rules govern our behaviour; they ensure also that organizations remain consistent in their dealings both internally and with other organizations, and they enable organizations to persist over time despite changes in personnel. Within their structures organizations provide career and social opportunities, as well as placing constraints on our behaviour. At work, organizations regulate our behaviour by defining, through rules, the social roles we play. Social roles consist of expectations which others have of us and which in time we normally accept as part of the expectations we have of ourselves; that is, we cease to be aware that our actions

are significantly directed by others. The roles we perform will usually reflect our talents and abilities (given or acquired) in relation to the opportunities available, and we pursue our goals through a succession of roles often referred to as a career. Interestingly, manual workers are usually regarded as having jobs, while non-manual workers have careers.

The relative social status* of a job may be reflected in a number of ways; through conditions of work, remuneration, and the opportunities to exercise authority over others. The social hierarchies in organizations make these divisions particularly visible, and we shall often return to these aspects.

In brief, then, business organizations provide various resources in working lives: *material resources*, for example machinery and offices; *monetary resources*, for example earnings, profits, fringe benefits; and *social resources*, for example social status, authority and power. These are important in assessing personal worth and satisfaction. All of us who work hold these resources to a greater or lesser extent, and the division of these 'goodies' among us is by no means equal; indeed if we take the example of authority, the holding of this resource is dependent on inequality. The general nature of organizational structure is a major concern of Chapter 4.

The socio-cultural context

An interesting question is why we tolerate our system of work with so little complaint or disruption. Industrial conflict and disruption do occur of course but in relation to the mass of conventional toil it is a minor feature. One important reason why conflict is apparently so limited is because we have devised procedures specifically to cope with that situation, and these are considered in Chapter 9. A broader reason is that in many ways we have little choice but to accept the situation which confronts us. We live in a society represented by a complex of values and social norms* which guide our behaviour. The socio-cultural context is a set of social rules, regulations and conventions bound together in a combination of social institutions* which fundamentally influences our perception of the world around us.

Most of the time we are unaware of these influences. The way we act is 'natural', since we respect the general organization of political decision-making, obey the law and conform to the expectations of others without really thinking about it. We become aware of our particular and peculiar socio-cultural context and the resulting forms of behaviour only when we compare our own circumstances with those of other societies. For most of us there is no need to explain why we spend eight or more hours each day, five or six days most weeks of the year, away at work, separated from our families and friends. The division between work and leisure seems normal and indeed necessary, for if we did not work how could we recognize (and appreciate) leisure? In fact, of course this 'natural' state of affairs would be most 'unnatural' for someone in a traditional or non-industrial society, and we shall return to this issue shortly.

The general implication of all this is that we must regard our autonomy as individuals in our social and work behaviour as greatly constrained or restricted by social forces which we are relatively powerless to alter. This is not to assert that we

have no freedom of action, but merely to acknowledge that the choices we are able to make are significantly limited by our social environment.

If our argument is valid, we (the authors) should be able to apply this general analysis to ourselves as workers. In terms of Figure 2.1 we might say that our work as lecturers in an organization of higher education is dependent on the socio-cultural context of British society recognizing in cultural and political terms the value of education, both in its own right (intrinsically) and in its contribution to society and the economy. The political authority of government establishes in general terms what is expected of teachers and what is anticipated with regard to the quality of their product (students with recognized qualifications). The organizational structure of our place of work translates these general goals into practical teaching and learning arrangements. Major elements of structure involve time-tabling and the provision of material resources, and for the most part we must accept the arrangements layed down by those in authority if we wish to continue in the job. In terms of our individual talents, modesty forbids more than a passing reference, but we are allowed to do our work (practise our profession) only because we possess certain expected formal qualifications allied to whatever personal attributes happened to appeal to those who recruited us. In addition, as individuals, and in organizational terms, we in turn influence our environment, making suggestions, defending principles, pursuing changes and so on. In analysing business activity we shall consider in detail a number of factors which greatly influence what options are available to us generally.

2.2 THE RISE AND RISE OF THE BUSINESS ORGANIZATION

The major factors to be continued in the rest of this chapter are outlined in Figure 2.2. Briefly, the various elements are related in the following way. In an advanced
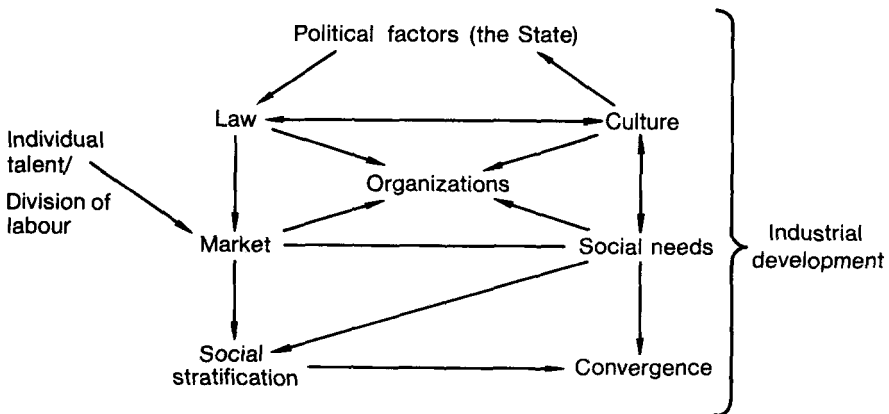

Figure 2.2

Western industrial society, such as Great Britain, the individual is incorporated into work in terms of a division of labour which utilizes his or her particular talents. There exist markets for labour which in part are controlled by law, which itself results from political decisions implemented by the state. Both the law and the state are related to the culture of the whole society, and the culture prescribes the way in which social needs are to be met, as well as perhaps generating new social needs from time to time. One important way in which social needs are met in practice is through the operation of buying and selling in markets, including markets for both goods and services. A central and crucial factor in arranging the orderly interaction of all these aspects is the business organization. The market operating through organizations is also responsible for allocating rewards that are highly valued in the society, and because this occurs in an uneven and unequal way a system of social stratification* is maintained. It is sometimes claimed that social needs can be met satisfactorily only if particular arrangements of social stratification operate. An interesting question is whether, with time, social needs and social stratification systems are converging to a common form which will be adopted by all societies, arising out of the general process of industrial development.

Traditional and industrial societies

Before the industrial revolution all societies were traditional. They varied in detail, but all depended on an agricultural life-style. The first industrial revolution happened in Britain, and marked a momentous phase in world history:

> About 200 years ago, unbeknown to those living at the time, a fundamental revolution began in the history of mankind, which was to lead to the development of the world as we know it today. First in Britain, then in a few areas of Europe and North America, a structural transformation, seen in perspective as having been in preparation for centuries, shifted the balance of productive activity from agriculture to industry and opened up boundless possibilities for increasing the productivity of human labour. This process, best described as industrialization, brought into existence those forms of labour and styles of living distinguishing the modern world from the past, the advanced countries from the 'backward' ones.
>
> T. Kemp (1978), p. 9

In many countries, prior to industrialization, feudalism* was the dominant form of society.

What exactly do we mean by industry? Industry refers to the production of manufactured goods, usually involving the use of machinery powered by inanimate energy sources. This is a rather restricted use of the term, however, and industry is often taken to include both the production of goods and the provision of services. To make this possible initially, certain general social conditions had to prevail. A production of goods surplus to immediate requirements was necessary so that a market for goods could be established, since a market cannot operate without demand and supply. This, of course, meant that subsistence agriculture as a way of life tended to diminish. To quote Kemp once again:

> The growth of demand, or the growth of the market (because only effective demand is in question), was the obverse side of the division of labour in society, the growing dependence of an increasing proportion of the population upon the purchase of commodities in the market, and thus upon having

something to sell, if only their labour power. It was the establishment of a complex network of economic interdependence between different sections of the population that created an expanding internal market. It was a market reflecting the unequal distribution of property and income, naturally, but also the relatively large numbers of people, however poor, who had to buy something in order to exist.

T. Kemp (1978), p. 13

A particularly important feature was the existence of 'free' labour; people were released from the social ties of feudal existence and were available to sell themselves as industrial workers and in turn to act as consumers, typically in the context of an urban environment. Also of importance was the development of new technology powered by coal and steam, making possible and worth while the production of a range of new goods, since there now existed a market for their purchase. Thus the industrial revolution was not simply about technical innovation, since new technology was worth utilizing only if it could return a profit. Of deep significance in the transition wrought by the industrial revolution was the general change in social relationships, values and norms. (Some parallel developments between the first industrial revolution and the current 'new technology' revolution are discussed in Chapter 10.)

Among the most important aspects of this change are five identified by Raymond Aron (1968) in his book, *18 Lectures on Industrial Society*. First, industrial work separated the enterprise from domestic and family life, and kinship ties generally diminished in importance. Second, a new division of labour was established, not merely a new form of social stratification but a new technologically based division of labour. Third, industrial development created an accumulation of capital, machines and other resources of the new society. Fourth, rational calculation became a predominant principle in social life, seen most clearly perhaps in the developing business organization. Last, there occurred a concentration of labour in a central workforce. The factory emerged as a new social fact. In these various ways the social relationships typical of the traditional way of working were radically altered, apparently in an irreversible direction.

In this general process Britain held a unique position. Being first, there was no model to follow, and those that came after learned from Britain's lead. The social tensions created by the process of industrialization in Britain were considerable, with enduring conflicts between the owners of capital and the workers, particularly in a situation where the harsh conditions of early industrial labour were largely ignored by government. (For a fascinating and detailed history of some of these events see *Class Struggle and the Industrial Revolution*, by J. Foster (1977).)

The development of business organizations

With the spread of industrial production a long-term trend of rural depopulation developed. Within agriculture itself new machinery and new methods of husbandry increased the efficiency of food production and lowered the demand for agricultural labour. Other developments in the ownership and use of the land itself were also forcing the subsistence cultivator off the land. Increasingly, owners of large tracts of