
Work Organisations

A Critical Introduction

Third edition

Paul Thompson
and
David McHugh

palgrave



11 New Economy, New Organisations?

Introduction: paradigm shift or shifting paradigms?

The world of management theory and practice always appears to be changing fast, but new buzzwords and themes continue to surface with bewildering rapidity. Consistent across these twists and turns has been a widely-held belief that the days of bureaucracy are over. New 'post-bureaucratic' forms of organisation move from the 'holding' to the 'enabling' company, to collaborative joint ventures, management buy-outs, contracting out parts of the organisations, personal networking, virtual organisation facilitated by the Internet, mini-factories and industrial boutiques.

'New' organisations and economies seem to have been around for quite a long time, certainly from the beginning of the 1980s, and, arguably a lot longer in the writings of Drucker (1959, 1968), or theorists of post-industrialism (Bell, 1973). We shall return to this paradox later. For the time being we can observe that the periodisation of 'new' can be extended by identifying a systemic break. Whatever variant, the post-bureaucratic organisation in the New Economy is said to be indicative of a paradigm shift, a decisive period of transformation, and the first since Taylor, Fayol and Ford. The cause of such a shift is supposed to be our old friend, 'the environment'. New 'strategic contingencies' in a global economy marked increasingly by turbulence and volatility produce environmental shocks arising from slower economic growth, intensification of competition, and a rising rate of product innovation in new forms of knowledge and information technology. The bureaucratic structures and decision-making processes of traditionally-designed organisations cannot handle the consequent forms of uncertainty and discontinuous change adequately (Heydebrand, 1989; Pascale, 1990).

The perceived need to respond to new market conditions has not been the only 'learning experience' motivating Western business organisations and management commentators. The 'Japanese threat' changed the terms of competition in the 1980s, and in doing so has set in motion a major process of emulating or modifying the ingredients believed to be the basis of superior performance. This reading of the sources of competitive advantage has more connection to the debates on corporate culture that form the subject of Chapter 13. But if flexibility has been a central theme of the revolution against bureaucracy, then, as we shall see, the Japanese experience of intra- and inter-firm relations can be seen as an important resource for contemporary debate.

It will be tempting for some to dismiss much of the above as inflated fantasies and prescriptions from the evidence-free zones of pop-management texts. But messages about a paradigm also reflect changing theoretical paradigms amongst academics. Organisational theorists such as Clegg (1990) are also convinced that Weber's iron cage of bureaucracy – rule-driven, hierarchical and centralised organisation – is no longer a requirement for efficiency. The particular influence on such writers (see Hassard and Parker, 1993) is a theorisation of paradigm shift based on a move from modernity to

ance of
may, in
nbering
ose other
gender
nacter

post-modernity. Indeed for Clegg (1990: 2), 'organisation theory is a creation of modernity'. The latter is linked to an increasing division of labour, in which jobs, tasks and roles are highly differentiated. In contrast, 'Postmodernism points to a more organic, less differentiated enclave of organisation than those dominated by the bureaucratic designs of modernity' (1990: 181). Flexibility is once again the watchword, with organisations changing their external boundaries through chains, clusters, networks and strategic alliances, and internal arrangements such as teams and profit centres (Clegg and Hardy, 1996).

Nor must we be bound to the constraints of rationality itself, with its emphasis on calculation, direction and design. With environments ever-changing and unpredictable, organisations are more likely to succeed by being reactive. Managers will spend their time on promoting the core corporate values and symbols rather than strategic planning. This emphasis on living with chaos and managing culture echoes themes in popular management. The general account of society and organisations also resembles and overlaps with a further influential account of discontinuity, the distinction between *Fordism* and *post-Fordism*. So, for example, Mulgan (1989) refers to the replacement of 'strong power' under the Fordist corporations characterised by pyramidal structures, formal rules and close controls, by a post-Fordist order based on weak power controls and decentralised leadership, horizontal communication and self-regulating units. Though the language of environmental turbulence is replaced by more academic and radical sounding 'post' labels and phases of capitalism, the message that major changes 'out there' are producing an organisational response is common, as is an emphasis on key influences such as new forms of information technology.

While information technology, in the form of PCs, networks and email systems, can be seen as a key factor of organisational decentralisation and power-sharing, even to the point of creating 'something close to an information democracy' (Hamel and Prahalad, 1996: 238); it can also be conceptualised as the focal point of a broader socio-economic formation. Indeed the same authors refer to change from a machine age to an information age. Castells posits a new mode of development: *informationalism*. Though shaped by capitalist restructuring, it is fundamentally oriented towards the accumulation of knowledge: 'the informational indicates the attribute of a specific form of social organisation in which information generation, gathering, processing and transmission become the fundamental sources of productivity and power' (1996: 21). In current debates it is more likely that the term 'knowledge economy' will be used, but regardless of the label, we see familiar themes of networks replacing hierarchies, flatter organisations, with collaboration and collegiality displacing command and control (Despres and Hiltrop, 1995). We will return to the issue of knowledge in the economy in the next section.

Having looked at some of the overarching themes of organisational transformation and their connections to post-bureaucratic design, the chapter moves on to a more specific look at the theory and research in the main substantive areas said to be characterising and shaping change. We will give expositions of the arguments used by those advocating new models before subjecting them to evaluation and critique in the next chapter.

Firms, markets and hierarchies in the knowledge economy

Commentators on or advocates of new forms of organisation do not necessarily locate them in a coherent 'big picture'. But when Heydebrand refers to an 'intrinsic elective affinity' between post-industrialism and post-bureaucratic forms' (1989: 349), he

raises the issue
been provided
the term given
ture into a mor
market condi
(1982) analysis
mass producti
isation. This n
industry that
(Smith, 1987:

Later wor
divide'. In this
pable of perma
that works dov
tures, to work
purveyors of th
it is characteri

It starts wi
renders the old
facilitated by
systems (FMS
purpose and
products on m
are made, ma
trajectory. Lar
nologies, there

a multitud
contempo
more cust
saturated,
increasing
technically

Further down
of Taylorism i
and managers
worker's intell
that creates tl
between partic

This kind
flexibility in sl
of the Divisio
tion work an
writers on adv
with accounts
(Lash and Ur
problems (Hii

raises the issue of the drivers of change. One of the most sophisticated accounts has been provided by theorists of flexible specialisation (Piore and Sabel, 1984). This is the term given to efforts, 'to convert the traditional highly integrated, corporate structure into a more supple organisational form capable of responding quickly to shifting market conditions and product demand' (Piore, 1986: 146). In its earlier form, Sabel's (1982) analysis preferred to speak of corporate attempts to maintain continuity with mass production, deskilling and labour controls, while moving away from standardisation. This *neo-Fordism* was seen as coexisting alongside a new high-tech cottage industry that combines craft forms of production with computerised technology (Smith, 1987: 1).

Later work declared a general crisis of industrial systems or 'second industrial divide'. In this formulation, the Fordist system of mass production is held to be incapable of permanent innovation. Flexible specialisation works on a kind of *design chain* that works downwards from changes in markets and technologies, through firm structures, to work organisation and employment relations (see Figure 11.1). Though rival purveyors of the big picture may contest the detail, we discuss it in some detail because it is characteristic of much contemporary theorising.

It starts with increasingly specialised demand for customised quality goods, which renders the old economies of scale redundant. The shift to new market conditions is facilitated by production and information technology such as flexible manufacturing systems (FMS) and manufacturing automation protocol (MAP) which are general purpose and programmable, allowing switches within and between families of products on more of a small-batch basis (Williams *et al.*, 1987: 409). Once such choices are made, manufacturing economies are seen as being locked into a technological trajectory. Large corporations cannot adequately handle the flexible markets and technologies, therefore networks of small firms grow in significance. As Harrison observes,

a multitude of writers continue to preach the virtues of small firms as engines of contemporary economic growth. We are told that... consumers increasingly seek more customised fashion-oriented goods and services. Mass markets become saturated, the demand for such commodities as clothing and furniture becomes increasingly fragmented... These developments are said to conjoin to favour technically adroit, well-informed small enterprises. (Harrison, 1994: 6-7)

Further down the chain, fragmented and repetitive work organisation characteristic of Taylorism is no longer appropriate. Collaboration between designers, producers and managers is both feasible and necessary, while craft skills and 'the production worker's intellectual participation is enhanced' (Piore and Sabel, 1984: 278). In turn, that creates the need for high-trust work relations in which there is an exchange between participation and greater job security.

This kind of analysis of the logical fit between flexible forms of technology and flexibility in skills and work structures is paralleled in Kern and Schumman's *The End of the Division of Labour* (1984). This talks of the reprofessionalisation of production work and new production concepts; and also finds support from some other writers on advanced technology. (Gill, 1985; Francis, 1986). There are also parallels with accounts of post-Fordism and related concepts such as disorganised capitalism (Lash and Urry, 1987); but advocates of flexible specialisation see differences and problems (Hirst and Zeitlin, 1991).

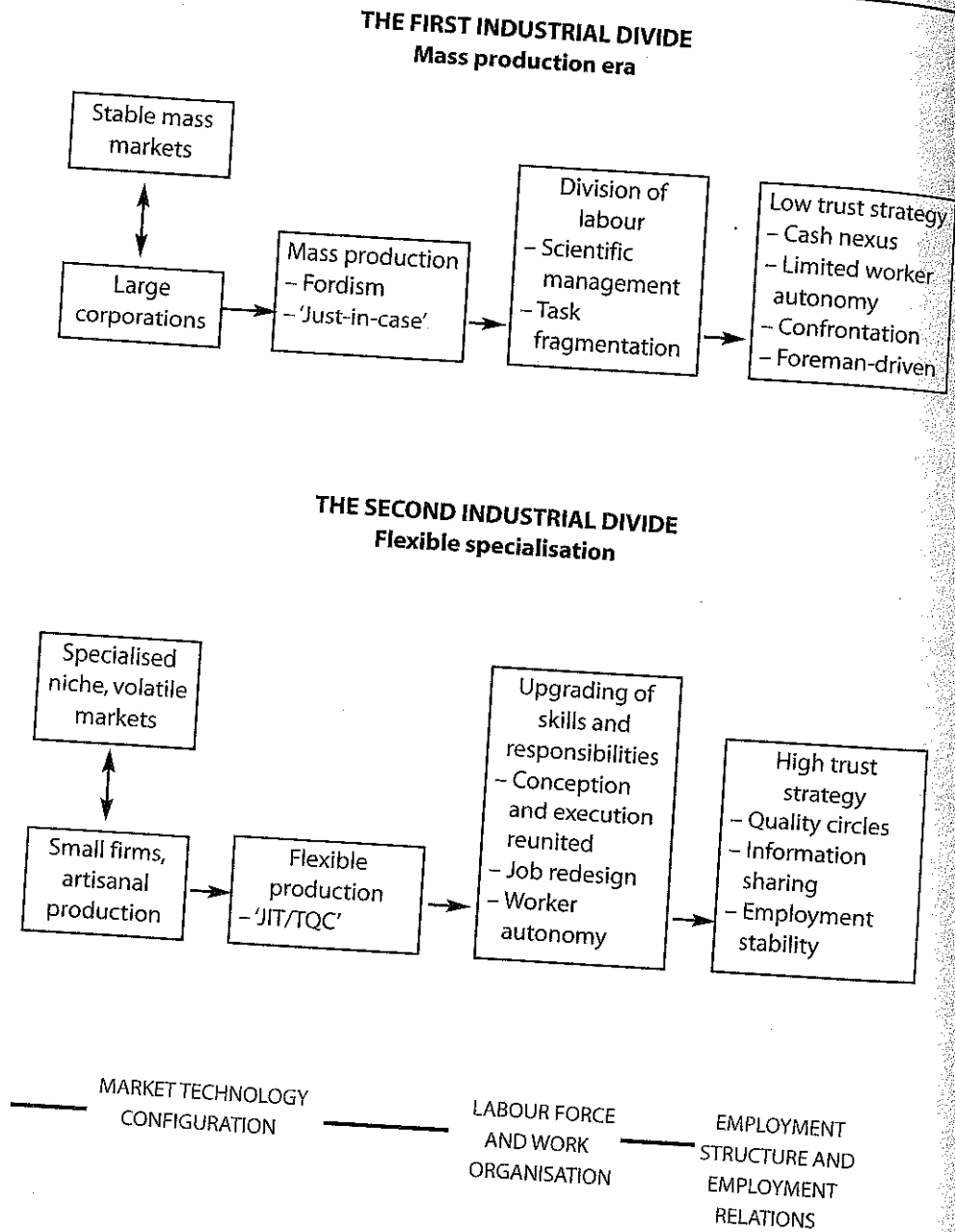


FIGURE 11.1 The flexible specialisation hypothesis

Source: Thomas Bramble (1988) 'Industrial Relations and New Management Production Practices', *Labour and Society*, vol. 112, June.

Flexible spec
to reverse the inte
in low-wage area:
Technical innova
tivity from sma
developing count
In the advanced
smaller plants ca
to the customer t

Piore and Sa
based on networ
Romanga in Ital
to qualify. Gener
ically tailored
participation (P
systems have en
customer deman
runs are said to
as Benetton to c
among its small
production worl
Murray, 1983; M
structurally mob
successfully to n

Though each
literatures, flexib
passed to theorie
some of the lead
prominent adv
industrialism (B
empowered, crea
needs of intelligen
been used in two
tion of societal
work means tha
signal the growt
distinctive chara
than land, labour
of the equation i

Many analy
tally change
various aut
knowledge
(Despres an

It is the 'weight
it, 'Most of us

Flexible specialisation is said to allow transnationals in some instances to begin to reverse the international division of labour, in which assembly processes are located in low-wage areas of the Third World, while maintaining research and design at home. Technical innovation, capital-intensive manufacturing and far higher levels of productivity from smaller workforces enable redomestication of activities; though the developing countries are likely to still utilise the low-skill, mass production methods. In the advanced economies, decentralised production will be the order of the day, as smaller plants can operate efficiently within the same range of products and be close to the customer to save transport and other costs.

Piore and Sabel admitted that working economic models of flexible specialisation based on networks of small firms are limited to regions such as Veneto and Emilia Romagna in Italy. But it is certainly possible to identify firms or sectors that appear to qualify. General Motor's Saturn Plant utilises flexible equipment to produce specifically tailored products, without retooling and with a high level of worker participation (P. B. Meyer, 1986: 74). Technology such as computer-aided design systems have enabled clothing firms to both create and then speedily respond to customer demands for a greater range of design and colour. Standardisation and long runs are said to become uneconomical. Computerisation also helps large firms such as Benetton to centralise marketing and skilled processes such as design and dyeing among its small core workforce of less than 2000 people, while decentralising its other production work to small subcontractors, and franchising its sales outlets (Fergus Murray, 1983; Mitter, 1986). Small IT firms have been found to be geographically and structurally mobile, utilising their lack of hierarchy and pervious boundaries to adapt successfully to new competitive challenges (Ackroyd, 1995).

Though each of these claims remains prominent in the business and social science literatures, flexible specialisation as a package does not. The 'big picture' franchise has passed to theories of the knowledge economy (Nonaka and Takeuchi, 1995). Similarly, some of the leading lights of post-Fordist theories such as Leadbetter (1999) are now prominent advocates of the new model. Picking up on themes associated with post-industrialism (Bell, 1973), exponents promote the trend as a virtuous circle in which empowered, creative employees work for collaborative, innovative firms, meeting the needs of intelligent consumers in a dynamic, socially inclusive society. Knowledge has been used in two ways as an explanatory device. On the one hand, it is seen as a *reflection* of societal change. In particular, its association with professional and technical work means that an increase in such categories in the occupational structure is held to signal the growth of creative, intellectual labour (see Barley, 1996). On the other, the distinctive characteristics of knowledge, now the prime factor of production rather than land, labour or capital, are seen as *triggering* economic transformation. This side of the equation is expressed somewhat apocalyptically by Despres and Hiltrop:

Many analysts surmise that the nature of life and work will thus be fundamentally changed for this and all future generations. Since the late 1980s, then, various authors have advanced the idea that the knowledge age is breeding knowledge workers who are employed in knowledge-intensive organisations. (Despres and Hiltrop, 1995: 9)

It is the 'weightlessness' of knowledge that is held to be decisive or, as Leadbetter put it, 'Most of us make our livings from thin air: we produce nothing that can be

strategy
focus
and worker
/ation
man-driven

in trust
strategy
circles
ation
ing
ment

MENT
E AND
YMENT
IONS

roduction

weighed, touched or easily measured' (1999: vii). In the knowledge economy service, judgement, information and analysis, from call centres to the science lab, is what employees provide. The core workers are what Reich (1993) labels symbolic analysts, people such as designers, marketers and engineers. The association of knowledge with services is believed to make a crucial difference. The intangible nature of services means the transformation into a product of cognitive manipulation in which rules, routines and machinery are secondary.

As Blackler (1995) observes in a useful overview, the dominant view is that while there are a variety of forms of knowledge, the key growth areas are conceptual (embrained) and encultured, rather than residing in lower-level knowledge that is explicit or embedded in systematic routines. Knowledge, then, is seen as having caring and sharing qualities. It cannot be developed or managed within relations of command and control. Its ephemeral quality is held to facilitate all the distinctive and benign features of the 'New Economy' – for example the move towards networks and creativity and the break from control and hierarchy. Given that knowledge work is too complex to be vertically controlled, management has to throw out the rule book and develop horizontal co-ordination, with collegial, collaborative methods (Hamel and Prahalad, 1996; Barley, 1996). Knowledge work generalises across increasing territories the kind of employment relationships and task structures that allow for creative application and development of that knowledge. It provides the main engine of growth in the modern economy, spreading high-skill, high-expertise employment outside the traditional professional high-tech heartlands. In particular, the search for more creativity and participation from routine employees through devices such as teamworking compels employers to devolve responsibilities and increase trust (Frenkel *et al.*, 1995). We will return to these issues in the later section on high performance work systems. Meanwhile, the flexibility theme moves downwards towards the firm and its boundaries.

Post-bureaucratic organisation: restructuring the corporation

For mainstream organisation theory, challenging bureaucratic designs ultimately rests on change in the sphere of *structure*. In earlier times, organic structures or ad-hoceries were one way of adapting to the environment. Now it is frequently presented as the norm, a permanent condition of organisational life.

To explain these arguments, it is useful to return to the (four) Ds with which we began this section of the chapter. Big is no longer merely not beautiful, it is seen as positively dangerous and anachronistic. As part of a process of *decentralisation*, companies are said to be breaking up their bureaucracies and setting up smaller or independent units, or developing new corporate structures where divisions operate as autonomous profit centres with delegated decision-making powers. Heydebrand (1989: 330–1) argues that profit centres overcome the market-hierarchy dichotomy and reduce the need for CEO control, while encouraging direct negotiation among sub-units. Integration will be provided by overall strategy, information technology and corporate cultures. After this organisational revolution, the more autonomous units will be 'guided by a coherent vision rather than by memorandum and managers-as-cops' (Peters, 1989: 31). Units will therefore be more loosely coupled and decision-making more dispersed, as in matrix systems with multiple accountabilities. 'External' surveillance and control will be increasingly replaced by new forms of market

A post-b

disciplines b
customers (C

The bre
internal redi
as central fu
franchises, s
virtual orga
towards fed
middle. The
policy. This
trend towar
archical firr
Competition
firms' (Nob
vision prom
small entrep
scaled-down
developmer
1994b), the
retaining cc

The cor
small sub-u
the most su
nology and
the efficien
the average
trying to ac

Netwo
isations go
for the sam
often a cyn
flatter, less

Old	New
stability	disorganisation/chaos
rationality	charisma, values
planning	spontaneity
control	empowerment
command	participation
centralisation	decentralisation/disaggregation
hierarchy	network
formal	informal/flexible
large	downsized/delayed

A post-bureaucratic organisation?

FIGURE 11.2

disciplines between the autonomous units, or even work teams, who are each other's customers (Clegg, 1990: 180).

The break-up is linked to *disaggregation* or *de-integration*, which goes beyond the internal redistribution of power by reducing the corporation to a relatively small core as central functions are dispersed to small firms, are outsourced to specialist units and franchises, sub-contracted to telecommuters in electronic cottages or other forms of virtual organisation (Jackson, 1999). Handy (1989) refers to such trends as a move towards federalism, or beyond to the 'donut' organisation that has nothing in the middle. The centre has only to keep a broad watching brief on finance and longer-term policy. This deconcentration of capital (Perrow, 1992) puts into reverse the historic trend towards vertical integration: 'If the old model of organisation was the large hierarchical firm, the model of organisation that is considered characteristic of the New Competition is a network, of lateral and horizontal interlinkages within and among firms' (Nohria, 1992: 2). Such a characterisation of current trends connects to the vision promoted by flexible specialisation theorists, of industrial districts populated by small entrepreneurial firms coexisting happily in a new division of labour with their scaled-down, larger sisters. The growth in franchising is also sometimes linked to such development trends (Labour Research Department, 1986b; O'Connell Davidson, 1994b), though the motive is primarily to transfer risk in uncertain markets while retaining control of supplies, prices and business style.

The combined effects of these two trends are that 'new organisations are small or small sub-units in larger organisation' (Heydebrand, 1989: 337). Peters (1992) makes the most sustained assault on previous orthodoxies about organisation scale. Technology and brainware are taking the scale out of everything, while networks can create the efficiencies that vertical integration once did. As proof, he cites data showing that the average size of firms is getting smaller. Even when they stay large, big firms are trying to act small, because the latter are winning the innovation game.

Networks appear in another form, an alternative to internal hierarchy, as organisations go through a *delaying* process. 'Downsizing' may sound like another term for the same process, but its normal meaning is slightly different. While downsizing is often a cynical euphemism for sacking people, claims are made for a trend towards flatter, less hierarchical forms where whole layers of middle management have been

removed on the back of new, horizontal communication channels and devolution of responsibility to self-managing and project teams, a trend enhanced by single status deals that remove barriers between categories of employees. Quinn Mills (1993: 8) even invents a new label: the post-hierarchical firm.

He is also typical of many recent managerial writers in attributing to new forms of information technology a determinant role in facilitating many of the above changes. As the New Economy has a 'techno-logic' transforming it (W. Taylor, 1994: 66), the design chain has a different driver, though with broadly the same outcomes. 'It's a voyage that begins with technology and leads inexorably to trust' (Webber, 1993: 24). As we saw earlier, anything from fax machines to new computer link-ups is a key and benign driving force of new ways of working: 'Today, technology is following its own dynamic direction toward distributed computing of greater and greater power and diffused, not centralised information' (Quinn Mills, 1993: 15).

Finally we have *disorganisation*. Peters, for example, has travelled from 'thriving on chaos' to 'necessary disorganisation' in the ephemeral world of the 1990s. Bureaucratic structures and rationality are based on planning. In contemporary unpredictable environments, attempting to plan, predict or control the future is pointless when there is no way of knowing what it will be. As a result, 'The era of strategic planning (control) may be over; we are entering an era of tactical planning (response)' (Moss Kanter, 1993, 2nd edn). It is not just scientific management, but science *in* management that is held to be out-of-date and 'positively counterproductive' in a 'world of perpetual novelty and change' (D. Freedman, 1992: 26, 37). As we saw in Chapter 7, even in more mainstream academic spheres doubts are being cast about the utility of concepts of business planning and strategy.

Indeed, this is only one way in which popular management writing is reinforced by postmodern perspectives that emphasise the reactive nature of organisational behaviour in circumstances where there is inherent uncertainty and disorder in a multiplicity of local situations (Cooper and Burrell, 1988); and also lay stress on new chaos theories of science in which nature appears as random as a throw of the dice (D. Freedman, 1992). Organisations are 'out of control' (Kelly, 1994) but that's fine because that is part of the continual cycle of creation and destruction undertaken by 'mobius strip' organisations that have no identifiable top or bottom, beginning or end (Sabel, 1991).

Flexibility, work and employment

As we have seen, flexibility has been the dominant language of organisational and economic change. Work and employment relations have been no exception. During periods of significant change in work organisation, attention is often directed towards a particular phenomenon that is seen as an obstacle to efficiency. In the past it has been 'overmanning' or unofficial strikes. Since the 1980s, within the general reference to the defects of Taylorism and Fordism, it has been *work and employment* rules: regulatory mechanisms established by workers and managers to govern the workplace. At the start of that decade, *Business Week* (1983) celebrated a revolution against rules that place constraints on management's right to allocate and organise labour. As we have seen in previous chapters, under systems of bureaucratic organisation and control, employers had gained from rules by being able closely to specify job assignments and operate internal labour markets. Unions could restrict arbitrary power and enforce adherence to rules that benefited workers. In addition to such areas as task

demarcation, established. F
grievance pro
law also enha
tual exchange
against the 'i
compensation
requires the
question emp
mentioned w
The rest
sources of in

Japanese p

Flexibility wi
forms of su
Japanese-der
large corpora
sourcing thro
who have to
the efficienci

Howeve
mind with t
(Turnbull, 19
(Garrahan an
Tyne and We
want them to
management
the desire of
Japan' initia
programme
opposition
restructuring
Explicit refe
manufactur
period, Jagu
involvement
up was nota
A furth
is not a no-
ating partn
company b
company ve
managerial
were also p
Telegraph,
and, more c

demarcation, seniority rules governing job protection, lay-offs and promotions were established. Because work rules were embodied in contractual relations, rights and grievance procedures, they gave unions bargaining power. Employment protection in law also enhanced status rights that limited what employers could gain from contractual exchange (Streek, 1987: 241–2). The flexibility offensive was directed not just against the ‘rigidities’ of work rules; but their high, often fixed, costs in terms of compensation and movement (Mangum and Mangum, 1986). Flexibility therefore requires the firm’s internal and external boundaries to be redrawn, bringing into question employment contracts and the location of work, as well as the previously mentioned work rules (Guest, 1987).

The rest of this section discusses the flexibility issues through two prominent sources of influence: Japanese production regimes and the flexible firm model.

Japanese production regimes

Flexibility within markets and between organisations in networks is facilitated by new forms of supplier relationships. This has been particularly associated with the Japanese-derived just-in-time (JIT) system. This depends on a set of relations between large corporations and suppliers, normally characterised by tightly-controlled multiple sourcing through layers of subcontractors. In this system it is primarily the suppliers who have to be flexible, the large firm having passed on the risk in order to gain from the efficiencies of low stocks that can be used only when needed.

However, the influence of Japan as a design model is more associated in the public mind with the *demonstration effect* of ‘best practice’ in work and employment (Turnbull, 1987: 2). For the UK, this was first illustrated through the Nissan example (Garrahan and Stewart, 1992). A Nissan plant was set up in May 1986 in Washington, Tyne and Wear. The then UK Employment Minister, Norman Tebbit, stated that ‘We want them to demonstrate to our auto makers . . . these aspects of Japanese industrial management’ (quoted in CAITS, 1986: 20). The Nissan effect can also be identified in the desire of British and other companies to *emulate* Japanese practices. An early ‘After Japan’ initiative at Rank Xerox based on quality circles, an ‘employee involvement’ programme and a new management culture and structure foundered on workforce opposition (Giles and Starkey, 1987). The second attempt to achieve a ‘Japanese’ restructuring of jobs and shop floor practices culminated in the 1988 dispute at Ford. Explicit reference was made to Ford’s plethora of grades compared to Nissan’s two: manufacturer and technician. But Ford is by no means the sole example. In a similar period, Jaguar and Lucas introduced extensive experiments featuring JIT and employee involvement (Turnbull, 1986); while among the joint ventures, the Rover–Honda link-up was notable for its use of ‘zone circles’ and ‘zone briefing groups’ (Smith, 1987).

A further ‘Nissan effect’ derived from the single-union, ‘no-strike’ deal. In fact it is not a no-strike deal because the Amalgamated Engineering Union is not a negotiating partner! A company council deals with all matters of wages, conditions and company business at plant level, with direct worker representation conditioned by company veto. However an initial deal was struck specifying complete flexibility and managerial prerogative. Teamworking, temporary workers and an intense work pace were also prominent features – the latter causing low morale and drop-outs (*Daily Telegraph*, 6 May 1987). We return to issues of lean production later in this chapter and, more critically, in the next.

The flexible firm model

The most widely used analytical framework for understanding the moves by employers to vary their workers and work was provided by the *flexible firm* model developed by Atkinson (1984) and the Institute for Manpower Studies (IMS). It is based on a break with existing unitary and hierarchical labour markets, relying on organisation of internal means of allocating labour, in order to create a core workforce and a cluster of peripheral employment relations. Though not in itself a macro, big picture model, it has been associated with post-Fordist perspectives. And, while derived from British experience, it has had a much wider influence, in part because the growth of flexible and non-standard labour has been global, though of course varied in character (see Felstead and Jewson, 1999). Three types of flexibility are identified: functional, temporal and financial, and numerical. We shall look at each in turn.

Functional Core workers gain greater job security in return for managers' right to redeploy them between activities and tasks as products and production requires.

Functional flexibility is often assumed to lead to higher levels of skilled labour (Ackroyd and Proctor, 1998: 179), though the most used terms tend to be multiskilling or polyvalence. Clearly any increased focus on a core workforce is likely to enhance the need for training and retraining, though this will be in-house and often limited to

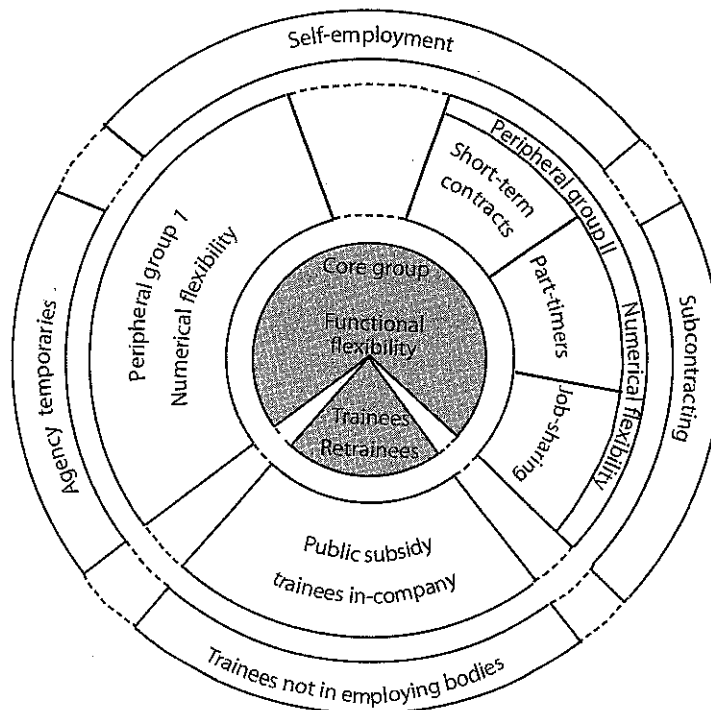


FIGURE 11.3 Model of the flexible firm

Source: C. G. Magnum (1986) 'Temporary Work: The Flipside of Job Security', *International Journal of Manpower*, 17, 1: 14.

firm-specific skill significant incre: 13-14). It has ne ments concernin and at Sony, spe staff working on statements of ma 'barriers' betwee tion grades or er erosion of distir maintenance and Findus have to workers on oil a craft work for tl

Emphasis h focusing on the and other trades trical 'amalgama controller. The rotation and a complete interch return to such p

The most to of implementin employees' (Clu the 'job banks' production is on tion and income been British exa

Temporal and tions. Reductio bargaining. Co more closely to the traditional the intention o to a weaker, er local bargaini management': of time, as en workload and zero hours co received consi available for (1997). More ending them with the use o CAITS, 1986;

firm-specific skills. Surveys reveal that senior managers believe that there has been a significant increase in these kinds of functional flexibility (Burchell *et al.*, 1999: 13–14). It has never been difficult to find high-profile examples of workplace agreements concerning functional flexibility. The most extreme, such as those at Nissan and at Sony, specify complete flexibility, even to the point of managers and clerical staff working on the production line if necessary (*IPM Digest*, 1986). Beyond general statements of manpower utilisation, agreements are mostly directed towards removing ‘barriers’ between grades and categories. This may be achieved by merging production grades or ensuring job rotation. But a crucial goal of ‘multiskilling’ has been the erosion of distinctions between production and other categories such as indirect, maintenance and even craft work. For example, production workers at Cadbury and Findus have to carry out maintenance work, while skilled engineering construction workers on oil and gas platforms must undertake semi or unskilled work if there is no craft work for them to do.

Emphasis has also been put on creating flexible craftsmen or ‘crafticians’ by focusing on the interfaces between crafts and non-crafts, craft assistants, supervisors, and other trades (Cross, 1985). Even clerical groups have not been exempt. Lucas Electrical amalgamated many clerical with manual tasks under a new grade of materials controller. The growth of teamworking has facilitated functional flexibility, as job rotation and additional training has enabled many companies to move towards complete interchangeability of labour (see Proctor and Mueller, 2000: 11–13). We shall return to such practices later.

The most touted carrot, however, is job security, which is linked to ‘the difficulty of implementing productivity programmes without the full co-operation of the employees’ (Clutterbuck, 1985: 2). Prominent examples are drawn from the US, notably the ‘job banks’ at Ford and GM in which an equivalent number of jobs are created if production is outsourced. If workers are laid-off, they are promised retraining, relocation and income support (Mangum and Mangum, 1986: 12). However, there have also been British examples of rolling job security deals such as UDV (Marks *et al.*, 1997).

Temporal and financial flexibility This has been associated with changes to functions. Reductions in grading have allowed the simplification of pay structures and bargaining. Companies such as Shell have linked rewards and career progression more closely to individual appraisal and performance-related pay, thus undermining the traditional notion of a specific ‘rate for the job’. Not surprisingly this often has the intention or effect of undermining trade union organisation, which has to adapt to a weaker, enterprise-based orientation based on single or reduced representation, local bargaining, and a shift from an industrial relations to a ‘human resource management’ framework (Streek, 1987: 299). There are also alterations in the use of time, as employers seek to vary attendance in order to meet fluctuations in workload and gain general control over time scheduling. Some high-profile cases of zero hours contracts, such as those in the Burton Group and Burger King, have received considerable publicity. But instances where employees are required to be available for work solely at their employer’s discretion are the exception (Cave, 1997). More frequent practices have included buying-out overtime and breaks or ending them as rights, and introducing round-the-clock, round-the-shift systems, with the use of part-time and temporary labour to cover peak demand (Yates, 1986; GAITS, 1986; Wainwright, 1987).

Numerical This is the capacity to vary the headcount according to changes in the level of demand so that there is an exact match between the numbers needed and employment; or as one senior manager bluntly put it, 'A workforce that can be picked up and put down whenever I need them' (quoted in Burchell *et al.*, 1999: 8).

Early UK surveys for the IMS showed that most larger firms claimed to have increased numerical flexibility, though sectoral variations indicated a predominance in service work (Atkinson and Gregory, 1986). Substantial, if uneven, growth was confirmed by the Confederation of British Industry (Yates, 1986), ACAS (1988), Hakim (1990), Casey (1991), Marginson (1991); and more broadly by the International Labour Organisation (Standing, 1987).

The growth of non-standard forms of employment has been linked with the post-bureaucratic agenda of eroding formal and rule-bound modes of recruiting, mobilising and regulating labour (Felstead and Jewson, 1999: 9). While such forms are seen as growing throughout Europe, they are 'most established in the UK, where, of all EU member countries, employment is least regulated' (K. Purcell *et al.*, 1999: 1). However, it is also widely recognised that accurate comparative mapping of changes is difficult, given different methods of data collection, varying legal and academic definitions and overlapping of categories.

Even within national contexts, it is important to disaggregate the categories and look at long-term trends. For the UK, Robinson (1999) has produced some important correctives to over-generalised images of numerical flexibility. Using Labour Force Survey data from 1979–97, he shows that full-time permanent employment has indeed declined from around 75 per cent to 62 per cent. The share of part-time employment rose correspondingly by 8 per cent, self-employment by 5 per cent and temporary work by 2 per cent. However, the small print indicates that the decline of full-time work occurred most sharply during the 1980s recession and has now slowed considerably, while the non-standard categories all show different patterns. Part-time employment has not only been growing throughout the period, it has been doing so steadily from 1945. Self-employment grew rapidly in the 1980s, but has now come to a halt, while the growth of temporary employment is largely a 1990s phenomenon.

So what has happened? With respect to part-time employment, the proportion of women has remained largely stable, but it has doubled among men. However, much of this can be accounted for by the emergence of students onto the labour market as higher education has expanded in the 1990s. The rise in self-employment to 13 per cent of the UK labour force affected most sectors, rather than those that have traditionally used such arrangements, suggesting that contracting out functions and services was a general, though limited, trend (Clutterbuck, 1985). There has been a big growth of temporary help service agencies in a number of countries, notably the US. While some firms, such as Control Data, have used 'supplementals' on short-term contracts with poor conditions to act as buffer to their permanent staff (CAITS, 1986: 32), the growth of temporary contracts is no longer confined to marginal or manual workers in manufacturing, or to seasonal work. The sharpest increases are in among professionals in financial services and the public sector, such as lecturers on renewable or rolling contracts.

Robinson's interpretation of the data, like other recent work, challenges a number of the received wisdoms in the flexibility debate. First, 'the more dramatic assertions about the arrival of a "core-periphery" model in employment relation-

ships find relation not necessarily that for the US pay and benefits relatively benefited that while part some of the un should not as arrangements. part-timers were rare employment 1980s. This a women choose belonging to so there is no co markets and t those in South flexible employment as it appears. ment derive fr alike to engage standard employment take people or

Home and t

Images of this example women and toys from Rank Xerox (Control Data in twenty firm tions. However virtual working benefits for them in 'virtual', or This move of to the wider t

Knowledge

As Felstead a types of employment mid-twentieth 'Standard' employment related through degree of employer-initiated various forms

ships find relatively little backing in the data' (1999: 90). Second, non-standard does not necessarily mean casual or low-skill. Rosenberg and Lapidus (1999) demonstrate that for the US, while contingent workers often lose out comparatively in terms of pay and benefits, there is huge diversity, including independent contractors who have relatively beneficial work and employment conditions. This is linked to a third point, that while part of the strategic rationale for numerical flexibility was to externalise some of the uncertainty, costs and risks to a variety of holders of labour service, we should not assume that potential employees do not see benefit in some of these arrangements. For example, UK Labour Force data shows that only 12 per cent of part-timers would prefer full-time work. In contrast, 39 per cent of those in temporary employment were 'involuntary'. Both had risen by small amounts from the 1980s. This appears to support the argument of Hakim (1990, 1996) that many women choose employment that social scientists have often labelled as peripheral or belonging to secondary labour markets (though see critique in Chapter 10). Fourth, there is no consistent relationship between the degree of regulation of labour markets and the extent of non-standard employment. Regulated markets such as those in Southern Europe and Scandinavia have higher rates in many categories of flexible employment than the more deregulated UK and US. This is not as surprising as it appears. The huge variations in patterns of standard and non-standard employment derive from complex 'incentives' given to employers and potential employees alike to engage in different types of labour market action. Tight regulation of standard employment may benefit those in work, but therefore encourage firms to take people on a temporary or other flexible basis (Cousins, 1999).

Home and teleworking

Images of this kind of work have ranged from manufacturing homeworkers, for example women domestic outworkers in sectors such as textiles, electrical components and toys (Mitter, 1986; Allen and Workowitz, 1987), to glamorous networkers from Rank Xerox, F International and ICL linked by computer in 'electronic cottages' (Control Data Corporation, 1985). While the former pattern has involved up to one in twenty firms (ACAS, 1988), it has been easy to dismiss the latter as exotic exceptions. However, advances in communication technology and the Internet have put virtual working more firmly on the agenda, with commentators highlighting the benefits for the co-ordination of teleworkers (Mirchandani, 1999) and professionals in 'virtual', cross-functional teams in and across work units (Nandhakumar, 1999). This move of the debate from margin to mainstream is a reflection of its strong link to the wider theme of knowledge work and employment, discussed below.

Knowledge work and portfolio people

As Felstead and Jewson note of the above trends, 'A common feature of all these types of employment is that they diverge from the pattern which became regarded in mid-twentieth century advanced capitalist economies as the "norm"' (1999: 1). 'Standard' employment tended to be full-time, reasonably secure, and formally regulated through contracts and legislation. Flexibility models, though they differ in their degree of endorsement of the product, have presented the outcomes primarily as employer-initiated attempts to deregulate labour, moving more employees into various forms of 'peripheral' and 'precarious' employment.

If we return to the logic of the earlier claim about knowledge work, that it belongs to and moves with the employee rather than the organisation, this kind of interpretation can be contested on grounds of extent and character. Rather than seeing numerical flexibility as a management strategy, contracting out and homeworking can be viewed as a choice of individual employees, cashing in on their knowledge, and the dependency of organisations upon it. Hamel and Prahalad (1996: 238) refer to 'a world of independent labour contractors'. While this may be something of an exaggeration, plenty of other commentators would regard it as a trend. Handy (1995) and Leadbetter (1999) link the emergence of a knowledge economy to the growth of portfolio workers, who will work either simultaneously or sequentially for a number of employers. In this context, short-term contracts no longer have a negative connotation, as they reflect the rapidly-changing business environment, with its emphasis on projects and teams.

Handy (1995: 6-7) does accept that there will be casualties in this restructuring of the boundaries between work and home, short- and long-term employment. In addition, there is wide recognition that employee adjustment to new realities is likely to be slow and painful. This is not just a question of changing employment status, but a transformation of the employment relationship itself. A quote from one of Heckscher's interviewees sums it up with considerable clarity:

My basic mindset was, there's an implicit contract, I expect that the company will provide me a career, development opportunities, and reasonable pay and benefits: and they, in turn, should expect from me that I'm willing to work very hard for them. When either one of us is unhappy with that situation, the contract is broken. And up until the past few years, as a corporation I had faith that that would occur. (Heckscher, 1997: 18)

In other words, the social, or what some commentators call the 'psychological', contract is no longer based on large, hierarchical companies providing stable employment, internal labour markets and long career ladders. Knowledge workers will increasingly be empowered to manage work and career themselves (Birchall and Lyons, 1995). While these discussions are pitched in the language of universality, such trends are predominantly about professional and managerial employers. After all, not that many routine manual and clerical workers had such conditions to be changed in the first place. On the surface this new social contract and the end of loyalty as a bond between organisation 'man' and the corporation seems somewhat lop-sided. However, there is a mutual gain as long as notions of opportunity and advancement are re-imagined. For Heckscher (1995) the new arrangements will have the benefits of being based on open negotiation and the promise of equality between organisation and individual, rather than paternalism and effort-security bargain. The individual will not have to subsume his or her personality in the organisation, and the breakdown of paternalism will allow more women and minorities to enter the ranks of management. Finally, there are new obligations: rather than provide employment, firms provide opportunities and transferable skills to help people become more employable, thus furthering a career across organisations and within occupational communities rather than up a single corporate ladder (Barley, 1996). We will return to some of these issues in Chapter 13 on corporate cultures.

If these, then, are regarded as trends in the labour market, what about work itself?

High performance of labour

The labour process is to be fulfilled in order to achieve high performance. In a fully flexible, individualised organisation, the labour process is upgraded and horizontal co-ordination is emphasised. In more traditional strategies for value added, with the emphasis on cost, with the addition to traditional performance work ideas and practices.

Descriptive of new. In particular, the 1970s quality movement has long been a good participation in the profile cases of quality (Daniel reform initiatives tempting to disempower supporters of forms of employment initiatives in the create new work Fordism.

This was a combination of from technology notably JIT (deterministic with higher levels of technology on-the-spot production stocks mean that this requires support activities require increased control, and a

That such coming from. QWL and Ford to which emulate manufacturers

High performance and work systems: restructuring the division of labour

The labour process is a vital arena if the promises of the anti-bureaucratic revolution are to be fulfilled. Employees' attitudes have to be transformed from grudging compliance to high commitment, while practices change from narrow, demarcated tasks to fully flexible, interchangeable labour. In the original 'design chain' of flexible specialisation, the last steps in the sequence were a high-trust strategy based on skill upgrading and worker autonomy. Similar themes reappeared in talk of the primacy of horizontal co-ordination in knowledge work, as well as the growth of functional flexibility. In more recent times they have been packaged in a broader guise of 'high road' strategies for workplace transformation and competition based more on quality than cost, with the 'highs' being commitment, involvement, skill, and performance, in addition to trust (Applebaum and Batt, 1994). We will return to claims of a high performance work *system* (HPWS) later, but before that we need to look at how such ideas and practices have travelled along this 'road'.

Description or advocacy of participation, autonomy and collaboration is hardly new. In particular, on the surface the language and practices are continuations of the 1970s quality of working life (QWL) or work humanisation initiatives. QWL had long been a generic or umbrella term subsuming anything from job enrichment to participation schemes. Yet we know that despite the extensive publicity for high-profile cases such as Volvo Kalmar and some reports of gains in productivity and quality (Daniel and McIntosh, 1972), by the end of that decade most of the work reform initiatives had diminished or disappeared (Ramsay, 1991). It is therefore tempting to dismiss the new language and practices as a rebranding exercise. Yet the supporters of such approaches would argue that the speedy reappearance of new forms of employee involvement through quality circles, team briefings and other initiatives in the early 1980s, showed the persistence of attempts by employers to create new work paradigms that could move beyond the limits of Taylorism and Fordism.

This was not a direction chosen on the basis of values, but conditioned by a combination of opportunity and threat. New forms of involvement derived in part from technology such as flexible manufacturing systems and production processes, notably JIT (Sayer, 1986; Tailby and Turnbull, 1987). While it would be overdeterministic to ascribe 'needs', there is little doubt that both operate more effectively with higher levels of co-operation, knowledge and flexibility than previous configurations of technology and work organisation. Under JIT workers are expected to do on-the-spot problem solving. Indeed they have little choice given that reduced buffer stocks mean that subsequent activities would break down without such action. In turn this requires *multiskilling* and the incorporation of inspection, maintenance and support activities into production operatives' tasks, or vice versa. These processes also require increased *knowledge*, both of details of the work process such as quality control, and a wider range of jobs.

That such systems are largely Japanese in origin indicates where the threat was coming from. The spread of quality circles and mid-1980s initiatives such as GM's QWL and Ford's Employee Involvement programmes in the US indicates the extent to which emulation of a perceived Japanese model was high on the agenda of Western manufacturers, though some, such as Rover in the UK, tried to avoid a 'Japanese' tag

by relabelling initiatives as zone briefings and circles (D. Smith, 1987: 23). The comparatively short-lived nature of many such initiatives by no means ended the influence. Since that period the spread of Japanese transplants into the US and Europe has been extensive, and their apparent success has led to further pressures that combine demonstration effect and emulation. The transferable ingredients of Japanese productive expertise have been repackaged as the system of *lean production* pioneered by Toyota, particularly in *The Machine That Changed the World* by Womack, Roos and Jones (1990). We discussed the issue of transferability in Chapter 6, but as a design template, lean production conforms to the anti-bureaucracy menu by stressing that in this brave new world, firms will employ teams of multiskilled workers whose jobs will be more challenging and productive, and carry more responsibilities.

The range of new involvement and communication practices had limited impact and sustainability, not simply because they were often imitative, but because 'these schemes tended to be "bolted-on" rather than integral to the work process' (Marchington and Wilkinson, 1998: 16). For example, many companies used quality circles as a catalyst for a period of organisational restructuring and dispensed with them once the goals had been achieved (Dunford and McGraw, 1987). This absence of a systemic character is addressed in some of the next phase of 'new management practices'.

TQM programmes promised a broader, more holistic approach than localised quality circle techniques (Hill, 1991). In the pursuit of the goal of continuous improvement in the production of goods and services, TQM differs by starting from the top and cascading through the organisation. Flatter structures and reduced hierarchy develop as workers take increased responsibility. Hierarchy is also reduced by a network of interdependencies arising from the necessity for employees to treat each other as internal 'customers'. Changes to job design are not the add-ons of old, but a genuine re-integration of conception and execution that is integral to the work process. Though TQM began by focusing on the 'hard' elements of capturing information about processes, it gradually shifted towards a 'softer' orientation to employee commitment and appropriate cultures (Wilkinson, 1992).

The consultant-driven (Hammer and Champy, 1993) emergence of business process reengineering (BPR) continued a holistic approach, promising that a focus on processes rather than functions would flatten hierarchies and produce complex jobs for smart people. Though BPR spoke the standard language of HRM and post-bureaucracy, its route to competitive advantage lay in an integration of work and technical system redesign (Greenbaum, 1998: 136). Given the history of organisational change, it is hardly surprising that BPR initiatives squeezed out 'slack' with little consideration of the human dimension or consequences. Subsequent criticism and retreat meant that the management fad had reached burn-out in about five years (Buchanan, 2000: 26). Buchanan notes that, in contrast, though teamwork has been continually 'rediscovered' over three decades, the current wave is proving more durable.

It is not that teamwork is short on superficial prescription. The managerial literature is full of inflated empowerment rhetoric and exhortations to create self-managing teams so that 'no boss is required' (Dumaine, 1990: 40). There is, in fact, a wide consensus that current teamworking is distinguished from its 1970s predecessor by its much more instrumental, pragmatic orientation, with little concern for job enrichment and industrial democracy (Jenkins, 1994; Applebaum *et al.*, 2000; Proctor and Mueller, 2000). At the same time it is seen as the core of work reform, and the 'heart of the lean

factory' (Womack of new product only grappled fundamentally structures design for management managing group production the

There is a have progress (1997: 62). Adl managed work per cent in 199 with over 25 p agreement ac increasing nun group, getting genuine sense way the work way that fulfil Chapter 8, thi

The evide chapters, but what Wood (a much more operativeness can depend unskilled or explain the p selection and 'green' labour ment underte firm's philosoc

Conclus

For all the organisati Applebau management depends u genial em enabling t teams are reinforced plus more team or c

factory' (Womack, Roos and Jones, 1990: 99). Mathews argues that such elements of new production systems are not passing fads and differ sharply from QWL, which only grappled with the symptoms of workplace problems. Contemporary initiatives fundamentally reorganise the process of work: 'In place of command and control structures designed to enforce rigidity and compliance, the new production systems call for management that offers facilitation, guidance and co-ordination between self-managing groups of employees who are capable of looking after the details of production themselves' (1993: 7).

There is certainly considerable evidence for the spread of initiatives, as 'teams have progressively replaced the individual as the unit of work organisation' (Adler, 1997: 62). Adler notes that the proportion of leading US firms claiming to utilise self-managed work teams has risen from 6 per cent in 1979 to 28 per cent in 1987 and 68 per cent in 1995. In Britain, the WERS survey reported 65 per cent of all workplaces with over 25 people had teams (Cully *et al.*, 1998). Interestingly there is also some agreement across managerial and radical commentators that management in an increasing number of companies is having success in devolving responsibilities to the group, getting employees to think and act like managers, and thus generating a genuine sense of shared values (Wickens, 1992; Barker, 1993; Sewell, 1998). In this way the workgroup can be used to redirect collective goals towards the company in a way that fulfils the old human relations dream; though for the critics, as we saw in Chapter 8, this is more like a prison of peer pressure and self-surveillance.

The evidence on value internalisation is critically evaluated in the following two chapters, but it is the case that both teamworking and TQM require attention to what Wood (1986: 432) calls 'attitudinal restructuring'. In other words, it requires a much more explicit focus on shaping employee attitudes in spheres such as cooperativeness and self-discipline. As Sayer notes with reference to JIT, 'profitability can depend quite heavily on the performance of workers who are technically unskilled or semi-skilled but behaviourally highly skilled' (1986: 67). This helps explain the paradox that many companies are engaging in detailed and intensive selection and screening processes for relatively routine jobs, often recruiting young 'green' labour. When the NUMMI plant was established, all candidates for employment undertook three days of interviews, job simulations and discussion on the firm's philosophy and objectives (Wood, 1986: 434).

Conclusion

For all the spread and significance of teamwork, not everyone would consider it the bedrock of organisational redesign. The idea of HPWS, developed primarily in the US (Osterman, 1994; Applebaum and Batt, 1994; Lawler *et al.*, 1995), is based on the *interlocking* character of the management of work, organisation and employment. Work organisation, as already outlined, depends upon 'the decentralisation of the gathering and processing of information to non-managerial employees' (Applebaum and Berg, 1999: 1), with participation and problem-solving enabling front-line workers to contribute to operational decisions and performance. Work-based teams are supplemented by off-line problem and project groups are needed. Such practices are reinforced by skill formation strategies based on enhanced training in social and technical skills, plus more rigorous and selective recruitment, and incentives that make rewards contingent upon team or company performance, whether that be merit pay, profit sharing or group incentives.

Finally, trust is enhanced by employees being encouraged to become stakeholders in the firm, primarily by the development of a mutual-gains approach that, among other things, seeks to replace adversarial industrial relations by partnership and participation (Bluestone and Bluestone, 1992; Kochan and Osterman, 1994).

There are other versions of systemic interlocking, such as Huselid's (1995) emphasis on the combination of employee skills, organisational structures and motivation, but the continuities are strong, and all versions claim that effectiveness resides in the 'bundling' of different practices that can lead to high commitment and positive employee behaviours (MacDuffie, 1995). Not only have such bundles or clusters been identified, a number of the studies have found a positive association with company performance (Huselid, 1995; Ichimowski *et al.*, 1996; Applebaum *et al.*, 2000). British research on similar lines has been more circumspect. Wood and de Menzes (1998) found a widespread adoption of high commitment practices, though of a diverse rather than 'packaged' nature, and also did not identify significant performance differences. However, the WIRS survey (Millward *et al.*, 2000), and other evidence on European trends (Sisson, 1997), does confirm that there has been a spread and some clustering of a number of direct participation practices.

We have now worked our way right down the 'design chain' of organisational change, outlining claims and evidence about the specific dimensions, as well as the interrelations between them. Do these add up to a paradigm break: new organisations in a new economy? This is the theme of the next chapter.

12 co

We have seen in
isational them
restructuring di
porary research
In one sense thi
isation (NEO f
stereotypical po
band of policy
the 'new', large
a strong case c
been making es
ronment comp
(see Eccles and
knowledge eco:
writers such as
Yet each is pre
conditions and
simply to deny
tional analysis
and change. Th

Hierarchies,

There is no pol
variety of 'flexi
sors – flexible s
primarily with

Though fl
changes in firm
became a new
critique (Smith
ingly argued t
specialisation i
ularly where
packing jobs r
mass producti
products, but
that the world
national divisi