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Power – a matter of prepositions

Main tasks

- **Highlight the different types and 'faces' of power and their relevance in employment relations**

- **Emphasise the asymmetrical distribution of power in the employment relationship and its implications**

- **Discuss the why and wherefore of the tension between 'power to' and 'power over'**

Summary

'Politics' and 'the political' are said to be concerned with 'the distribution, exercise and consequences of power'. The same could be said of employment relations. Two main types of power may be identified. The first, 'power to', is very positive – it is about the capacity or ability to get things done. In the most basic of senses, 'productive' and 'transformative' power are ever present in work organisations – no product or service would be provided if it was not. The second, power 'over' is about domination - for example, the ability of one party to get another to do something they would not otherwise do or to punish/discipline them for behaviour that the party thinks is inappropriate. This can be negative - it is more like a 'zero sum' game, where one party loses what the other wins. In this case, attention focuses on two main aspects. One, following Lukes, is the different 'faces' of power. Power is not just about decision making, but also setting the agenda and shaping preference. It therefore harks back to the 'attitudinal structuring' that featured in the previous chapter. The other is the asymmetry or inequality of power. Put simply, subordination is a design feature of the employment

relationship – the exercise of the employers' residual control rights puts managers in a power 'over' relationship with employees. Also the two parties to the employment relationship, while nominally equal, have very different resources at their disposal: the employee is an individual who has to work to make a living; the employer is typically a corporation with substantial time and money at its disposal. Such is the nature of the employment relationship, both cooperative and conflictual, that the two dimensions of power are in more less continuous tension. Attempts to shift the balance from the one to the other range from changes in management style, through semi-autonomous team working to different forms of employee 'voice' and 'management by agreement'. One idea that seems to survive – it appeared on the agendas of both main political parties in the UK's general election of 2010 - is that of worker cooperatives or labour-managed firms. Successful examples, albeit very different, include the John Lewis Partnership in the UK and the Mondragon Corporation in Spain's Basque country. Arguably, the main reason why worker cooperatives are not more widespread is that they would involve a fundamental re-distribution of power from capital in favour of labour.

Introduction

In the words of the author of a major textbook dealing with political analysis, 'politics' and 'the political' are concerned with 'the distribution, exercise and consequences of power'[1]. The same could be said of employment relations. Also as in politics, serious efforts are being made to operationalise the concept of power and so begin to answer some of the criticisms of its use – for example, that power is 'poorly defined' and is 'invoked to explain virtually anything'[2]. Thus, power is a concept that is used in two main ways, both of which are critically important. The first sees power as the capacity to get things done – power 'to' is a resource that is capable of advancing common goals; it is a 'positive sum' game. The second equates power with domination or power 'over' – the ability of one party to get another to do something they would not otherwise do or to punish/discipline them for behaviour that the party thinks is inappropriate. Power 'over' can therefore be a largely 'negative sum' game. Furthermore, power

'over' is seen as embracing not just decision making, but also the more covert forms of the exercise of power such as the ability to set the agenda and, even more fundamentally, to shape people's preferences, recalling the discussion of 'attitudinal structuring' in Chapter 5. There is more or less continuous tension between the main types of power: the way power 'over' is exercised in many organisations makes it difficult to maximise the benefits of power 'to'.

Power 'to'

The first main type of use of power in employment relations – 'power to' - is very positive and is integral to the role of organisations introduced in Chapter 1. Power is seen as a resource that can be 'productive, transformative, authoritative and compatible with dignity'[3] In the most basic of senses, 'productive' and 'transformative' power are ever present in work organisations – no product or service would be provided if it was not. 'Enterprise', after all, is one of the synonyms for 'company'. The Schumpeter column in *The Economist* expands on the point like this in encouraging business leaders to do more to make the case for what they do:

> … business is a remarkable exercise in cooperation. For all the talk of competition 'red in tooth and claw', companies in fact depend on persuading large numbers of people – workers and bosses, shareholders and suppliers – to work together to a common end. This involves getting lots of strangers to trust one another. It also increasingly involves stretching that trust across borders and cultures. Apple's iPod is not just a miracle of design. It is also a miracle of cooperation, teaming Californian designers with Chinese manufacturers and salespeople in all corners of the earth. It is worth remembering that the word "company" is derived from the Latin words 'cum' and 'pane' – meaning 'breaking bread together.

> Another rejoinder is that business is an exercise in creativity. Business people do not just invent clever products that solve nagging problems, from phones that can link fishermen in India with nearby markets to devices that can provide insulin to

diabetics without painful injections. They also create organisations that manufacture these products and distribute them about the world. Nandan Nilekani, one of the founders of Infosys, put the case for business as well as anyone when he said that the computer-services giant's greatest achievement was not its $2 billion in annual revenue but the fact that it had taught his fellow Indians to 'redefine the possible'[4].

In the language of the resource-based view introduced in Chapter 3, work organisations are 'capability structures'[5]. Important here is the recognition that an organisation's success/failure depends not so much on thinking in terms of more traditional 'outside-in' assessments of market threats and opportunities leading to externally focused strategic responses or 'positioning'. Rather the approach is 'inside-out' focusing on the sources of internal strengths and weakness of the organisation, i.e. the unique or particular skills and ability 'sets', capabilities' or competences that individuals in the organisation have and that give it a measure of competitive uniqueness[6]. Power is not just something that is possessed by individuals or groups, however. Power also resides in structures embedded in continuing social relationships that enable groups to contribute.

Both the 'hardware' and the 'software' of the organisation are involved. In the first instance, they include the structures and systems of planning, controlling etc that that figure prominently in discussions of what management is about; job design, the grouping of jobs into activities and the structures used to co-ordinate these activities; personnel policies and practices including the organisation's systems of education, rewards and incentives; and technical systems such as databases and software programmes.

It is this kind of thinking that helps to explain the increasing emphasis on bundles of personnel practices that featured in Chapter 2. As was explained there, the idea is that it is not so much the individual 'best practice' elements in the standard prescriptive textbooks that are important. Rather what makes the difference is the extent to which these elements are 'best fit', i.e. are complementary as well as supportive of and supported by the business strategy. Thus, team-working and problem-solving groups are likely to have a positive

effect on labour productivity when combined with contingent pay designed to enhance employee motivation and commitment. But such 'high performance work systems' are unlikely to be effective where low cost is to the priority of business strategy. Rather they go with high quality products and services.

The 'software' of organisations is seen as being made up of the prevailing norms and attitudes such as the 'passionate beliefs associated with various kinds of technological knowledge'[7]. For many commentators, this is where the notion of the 'learning organisation' fits in, i.e. the idea of the organisation as an 'active learning agency continually combining and recombining elements in its external and internal environment in order to develop the distinctive capacities that will enable it to survive'[8]. In such organisations, senior managers recognise that 'learning' is not just something that individuals do. It is what organisations have to do it in order to continuously improve. They therefore put 'organisational learning' centre stage and make it the key principle for organizing business strategy and developing competitive advantage. Managing the processes involved, sometimes known as 'knowledge management', also looms large, the understandable implication being that acquiring these capabilities is not something that just 'happens'.

Interestingly in the light of the discussion about the 'cognitive' dimension of institutions in Chapter 4, the NHS National Library for Heath suggests that the 'ultimate aim' of knowledge management is 'institutionalisation'.

> It is useful to bear in mind that success in knowledge management does not involve building up a big new department or a whole network of people with 'knowledge' in their job title. You may need to do these things to some degree in the medium-term. However the ultimate aim is for knowledge management to be fully' institutionalised'. Or in other words, so embedded in the way your organisation does things, so intrinsic in people's day-to-day ways of working, that nobody even talks about knowledge management any more – they just do it[9].

For employees, involvement in the activities of such organisations can bring rewards not only in terms of income, but also personal development. Technological change for example, may not bring advantages just for managers – it may make work more satisfying for workers.

More generally, even in organisations where 'high performance working' and the 'learning organisation' are not the rule, working for a particular company may bring a sense of pride, achievement and self-esteem. The result is that there may little experience of the power 'over' to be discussed below. This is especially true of the successful organisation.

Sometimes such sentiments are attributed to a state of 'false consciousness' or to the 'attitudinal structuring' discussed in previous chapters. Yet this is to ignore two points. First, employees have a range of interests that their employment satisfies - in Lukes' words,'everyone's interests are multiple, conflicting and of different kinds'[10]. Second, ideology is not only something that managers impose on employees, though of course it can have that quality. Employees produce their own ideology, i.e. sets of beliefs which expressed and reinforced a particular set of power relations. It is also produced in the process of social interaction, as in rituals and ceremonies, but also in day-to-day life[11].

The dispute involving British Airways cabin crews introduced in the previous chapter will help to illustrate the point. A regular charge that the cabin crew and their representatives made was that it was BA managers who were exposing the organisations' reputation to threat. Not only was management acting irresponsibly in trying to impose changes at such a critical time, i.e. in the run-up to the Christmas/New Year holidays. Some of the changes being proposed would seriously damage the customer service with which they associated themselves in working for the 'Worlds' favourite airline'.

Arguably, though, the 'productive' and 'transformative' power that RBV proponents refer to, involving individuals going the proverbial extra mile, is less obvious in employment than it is in work for voluntary organisations, In the first, work seems so often to be endured, whereas in the second tends to be enjoyed. Indeed, it is the absence of this form of power in work organisations that

commentators are effectively highlighting when they suggest that managers have a problem of engagement. It is an issue to which the chapter returns in the final section.

Power 'over'

It is the second type of power – the ability of one individual or group to dominate another/ to make them do something they would not otherwise wish to do – that has received most attention in employment relations. Two dimensions have to be considered. One is the different 'faces' of such power. Power 'over' is not just about decision making: it also embraces being able to set the agenda and structure attitudes, taking us back to the discussion of the different processes of negotiation in Chapter 5. The other is the inequality or asymmetry of power that is involved in the employment relationship. In theory, there are two equal parties in the dependency relationship that is the employment relationship. In practice, the parties are very unequal': not only is the inequality of power a design feature of the employment relationship - some people gives orders and others have to obey them – but the two parties also have very different resources available to them. The consequences have been far-reaching. Not only have trade unions and professional organisations emerged to offer countervailing power. Governments have almost invariably intervened in the form of legislation to achieve a balance between flexibility and security helping to explain why the employment relationship cannot be understand simply as a private relationship between two parties: it is, in practice, a multi-level phenomenon.

The three 'faces'

Following Lukes[12], the sociologist who first coined the term, the exercise of power 'over' is seen as having three 'faces'. The first 'face' equates power with a process that is very transparent and observable. Essentially, it is about domination and decision-making. 'The focus is concrete behaviour and the making of decisions … Power occurs where one group's expressed views come into opposition with those of another, and power is the ability to secure

one's own aims'[13]. Put simply, it could be a case of A getting B to do something that they wouldn't otherwise wish to do. Or of A creating situation that is unfavourable to B but that B cannot do anything about. The powerful, in other words, are those who hold sway in decision making.

Such power relationships are to be found throughout work organisations, helping to explain why a political perspective on their understanding is so essential. The HR function in the UK is a case in point. At operational level, HR managers may appear to exercise considerable power 'over' their managerial colleagues in operating functions - for example, first line managers may complain that HR managers are constantly interfering, telling them what they can and cannot do in terms of the treatment of employees. At strategic level, however, it is a very different matter. A widely held is that personnel management is very much a 'Cinderella' function. It gets its epithet not just because the majority of HR managers are women. Rightly or wrongly personnel management is associated with low level administrative routine with little or no power to influence the strategic direction of the business. This helps to explain why most courses on MBA programmes dealing with the area have to be entitled 'Human Resource Management' or 'Strategic Human Resource Management' if there are to be any takers.

Important though the distribution, exercise and consequences of power 'over' are for the managerial functions, our primary focus is on their implications for the conduct of the employment relationship. Perhaps the most obvious exercise of such power in employment relations – it certainly is the one that gains most media attention - is to be found in the case of 'distributive bargaining' over wages discussed in the previous chapter. Management may 'decide' that it cannot possibly afford a pay increase of more than X per cent. The trade union may 'decide' that this is totally unacceptable and is able to mobilise sufficient support to win a strike ballot. In these circumstances, management may decide that making some concession is the lesser of the two evils. Alternatively, it may decide to call the trade union's bluff – the ballot goes ahead, the result is the same, but the trade union finds that it is unable to translate the mandate into strike action or the strike action fizzles out. In each case, there is a

patent difference of interest with one party seeking to impose it views on the other backed up by sanctions.

Note that, as in the case of power 'to', the exercise of power 'over' in such situations is not just a question of individual behaviour. Two groups are involved, both deriving their 'power' from the performance of their respective agency functions. Management is acting as the agent of shareholders, more of which in Chapter 8. The trade union similarly represents the interests of employees – indeed, as Chapter 9 argues, the fundamental logic of collective action that trade unions embody is rooted in the ability to offer a countervailing power to that which is built into the employment relationship in management's favour.

Power 'over', along with the ability of the parties to exercise it, does not exist in a vacuum, however. It very much depends on context. For example, in most countries the legal framework spells out in some detail the parameters within which power 'over' in industrial disputes can be exercised. The status accorded to collective agreements and strikes is also important. Unlike in UK, in most EU countries, collective agreements are compulsory contracts: the terms and conditions are binding on the signatory organisations and their members. One major difference, however, involves the 'peace obligation' under which the parties must refrain from industrial action over issues covered by the contract for its duration. In countries such as Germany and Sweden, the peace obligation is extremely strong, with infringements being subject to legal action. In the 'Latin' countries, especially France, the peace obligation is extremely weak, largely because the constitutional right to strike is deemed to override it.

Timing is also likely to be an important consideration. It is no coincidence, as Chapter 7 discusses in more detail, that strike activity has tended to correlate with levels of inflation and of employment: low levels of inflation and higher levels of unemployment are likely to mean that management is the more powerful, with the opposite being the case for trade unions. Important too is the history of the relationship for the reasons to do with 'path dependency' discussed in Chapter 4. If there is long history of successful collective action, the

easier it is likely to be for the trade union to mobilise its members; if there is no such history, it may be impossible to do so even if, in every other respect, conditions are favourable.

The second 'face' starts from the proposition that 'power is at its most effective when least observable'[14] - it is often called the power of 'non-decision-making'. Basically, it introduces the idea that power is not just about decision making, but also the ability to set the agenda. The concern is still with concrete behaviour and observable action; context, timing and history are also fundamentally important. There is, however, a shift in emphasis into the 'corridors of power', where the exercise of power 'over' may not be as visible and so as easily monitored as it is at the negotiating table.

The process of joint consultation offers us a very good illustration of the exercise of the second 'face' of power. There are two main types of consultation: 'decision-based' and 'option-based'. In the first, management considers a range of possible ways, say, of restructuring operations in the light of changing market conditions. In due course, it decides on its preferred option and consults the views of trade unions or works council on how to handle the implications. In the second, instead of putting just its 'decision' on the table, management reveals the full range of options it has been considering and invites views on these, with or without any expression of its own preferences. Clearly, in both cases, management controls the agenda, with the final decision resting with them. Whereas in the second case employees' representatives have the opportunity to discuss the full range of options, however, in the first they are restricted to the one management has decided on – indeed, they may never come to know what the other options were and so have an opportunity to express their alternatives preference.

The third 'face' of power is an altogether different proposition from the first two in as much as the focus shifts away from actual and observable behaviour. It is the ability to shape people's expectations and so is a form of ideological power. Lukes gives a strong flavour of what is involved in asking:

> … is it not the most invidious exercise of power to prevent people
> … from having grievances by shaping their perceptions,

cognitions and preferences in such a way that they accept their role in the existing order of things, either because they can see or imagine no alternative to it, or because they see it as natural or unchangeable, or because they value it as divinely ordained and beneficial?[15]

In other words, the third 'face' of power is another way of describing the process of 'attitudinal structuring' that featured in the previous chapter dealing with negotiation. As was explained there, examples are to be found in the increasingly extensive management use of communication systems, where the aim is not just about to bring employees up-to-date with developments, i.e. giving them information. Rather it is to structure their attitudes and shape their preferences.

A specific illustration of the force of Lukes' question in employment relations is to be found in some uses of the 'psychological contract' discussed in the previous chapter. Very often, it seems, the underlying purpose of the emphasis is to change employees' perceptions of what they might expect of the employment relationship. In particular, in many cases they are being strongly encouraged to accept that it is no longer possible for the employer to meet two of the elements in the employment relationship that help to distinguish it from the labour services contract, namely the prospect of continuity of employment/a career and an adequate pension in retirement. Sadly, there is little if any recognition in the 'psychological contract' literature that proponents are effectively encouraging managers to exercise Lukes' third (and 'the most invidious') 'face' of power – which is yet another reason why the employment relations community treats the concept with such unease.

A very asymmetric relationship

So far, although located in the context of the work organisation, the discussion could be applied to any type of social relationship. The next topic highlights one of its outstanding features of employment relationship. In theory, as Chapter 3 stressed, there are two equal parties to the employment relationship. In practice, the employment

relationship is a very unequal or *asymmetric* one, with one party (the employer) having domination or power 'over' the other (the employees).

There are two main reasons for the asymmetry of power in the employment relationship. The first, as Chapter 3 explained, is that it is an intrinsic design feature of the employment relationship - employers 'effectively purchase the rights of residual control'[16]. By definition, the exercise of residual control rights puts the parties into a subordinate/superordinate relationship: the employment relationship involves a governance structure that is rooted in an organisational hierarchy, where managers give and employees receive orders. All in all, employees submit to an arrangement that is largely discretionary as well as open-ended, with considerable opportunities for the use (and abuse) of power both by individual managers and the overall structure of controls discussed in Chapter 4.

Reinforcing the asymmetry of the relationship is the way in which the contract is viewed legally. This is particularly true of the UK and the USA, recalling the discussion of 'nexus of contract' thinking in Chapter 3. In the words of one recent employment law textbook,

> The paradigm of an employment contract … contains an authority structure at its heart. In return for the payment of wages, the employer bargains for the right to direct the workforce in the most productive way. An employee consents to obey these instructions, and so enters into a relation of subordination. The authority structure may be articulated through formal rules of the organisation or day-today instructions from supervisors and managers. Since compliance with is authority structure is essential for the efficient operation of a contract that is incomplete by design, a disobedient employee must be sanctioned. The most visible sign of this authority structure is therefore the use of discipline by the employer, such as deductions from pay and dismissal from employment[17].

In the even more graphic words of perhaps the most eminent of UK employment lawyers (Kahn-Freund) describing the employment relationship: 'In its inception, it is an act of submission, in its operation it is a condition of subordination, however much the

submission and subordination may be concealed by that indispensable figment of the legal mind known as the 'contract of employment'[18].

Seen from this perspective, the rival explanations of managerial hierarchy to be found in transaction cost analysis and radical theory are not as mutually exclusive as they are often painted. It may be that hierarchy is a necessary feature of work organisations on efficiency grounds as transaction cost theorists argue[19]. But it is also the case, as radical theorists have argued, that it guarantees a particular group, i.e. entrepreneurs and their agent managers, an essential role in the process of production and exchange[20].

The second respect in which the two parties to the employment relationship are very unequal brings in the issue of resources. The asymmetry of power 'over' that is intrinsic to the employment relationship is reinforced by the unequal resources available to the two parties to influence each other in their dependency relationship. The employee is a single individual usually with very limited resources. He/she is relatively immobile and typically has much less information about the employment situation than the employer. Moreover, he/she has to work in order to secure income people. In the strong language of Marx, 'Labourers rarely come willingly to the capitalist labour market. Rather as wage slaves, they were compelled to sell their capacity to labour to the capitalist in return for a wage that would give them access to the material necessities of food and clothing'[21]. By contrast, the employer is a corporate entity most often with substantial resources at its disposal, which can be economic, political or ideological. Thus the employer has the capacity to deny the employee income; has the backing of the law in exercising their residual control rights; and, as has already been suggested in discussing the third 'face' of power or 'attitudinal structuring', is in a position to deploy a wide variety of techniques with which to seek to influence the 'hearts and minds' of employees.

Putting the main emphasis on employers is not to suggest that employees are totally powerless. Some employees are better placed than others in terms of their 'structural' position. Some individuals are in a strong labour market position. For example, one of the arguments that the banks put forward for paying exorbitant bonuses is that their

dealers and traders will move to other employers if any attempt is made to rein them in. In this case, the immediate context means that they seem able to defy both their shareholders and governments in adopting this position.

A wider group in a strong position comprises those who are able to establish a considerable control over the supply of labour usually through extensive training periods, a closed shop and strict codes of discipline. Historically, the craft societies that dominated the first phase of trade union organisation are examples. Latterly, it would occupations involved in the professions that enjoy this advantage. In the UK, for example, organisations such as the British Medical Association have been able to achieve a very considerable degree. In this case, it is not just a matter of pay and conditions. Effectively, their position enables them to have a major influence on allocation of capital resources as between hospitals and general practice and the different medical specialisms.

Arguably, though, the opportunities for employees to exercise such potentially 'productive' or 'transformative' power are relatively rare: the most that employees can usually do is to try to veto management's use of power 'over', thereby contributing to a 'zero sum' game situation. For example, Edwards reminds of the debate that took place in the UK over the power associated with trade unions in the 1970s. The popular perception encouraged by the media was that trade unions were 'too powerful'. Yet it could be argued that they 'too weak'. Certainly trade unions were able to exercise 'power over' management in 'the sense of pursuing wage claims or bargaining on the shop floor … [yet they] lacked 'power to' press through a programme of modernization that would secure their members' long-term interests[22]. Edwards goes on to suggest that this largely because of the ideological dimension … an absence of concepts that can challenge the prevailing orthodoxy'.

Even groups and occupations that are unable to organise collectively, let alone exercise the controls associated with the professions, are not without some power. This is because of the continuous nature of the employment relationship discussed in Chapter 3. Thus, employees who feel aggrieved by a management action have a wide range of opportunities to get their own back. This

is above all true of situations where employees are directly involved with customers as in the increasing service sector where managers have to worry reputational effects. 'Organisational misbehaviour', as the next chapter explains, can take a wide range of activities from working without enthusiasm through to sabotage. Important too is that the costs of monitoring can be prohibitively expensive. It is for these reasons that managers usually do not exploit their power' over' to its fullest extent – going beyond employees' 'zone of acceptance' discussed in the previous chapter can be self-defeating.

There are also two other considerations. One is the legal framework. Unfair dismissal is likely to result in a claim to an Employment Tribunal or its equivalent. Minimum wages legislation makes it more difficult for employers to exploit employees in the pejorative sense. The other consideration is the so-called 'reputational effects' of management actions[23]. Large public companies in particular will not want to be known for unfair or aggressive actions. Not only is the 'bad' press that it brings likely to make it more difficult to recruit high quality staff. In some cases, it may have a very damaging effect on the public image with a considerable loss of sales. 'Naming and shaming' has become a tactic that groups that Non-governmental organisations, as well as trade unions, regularly now use.

In terms of consequences, it is the unequal power relationship that helps to explain why trade unions and professional organisations have almost invariably grown up to represent employees' interests at work. It is also the unequal power relationship that provides the rationale for state intervention in the form of individual employment rights, support for trade unions and collective bargaining, and dispute resolution machinery. In effect, the state is intervening on behalf of what society recognises is the weaker party. Thus, in the UK, the employment law textbook quoted earlier talks in terms of the 'normative claim for labour law to constitute an autonomous legal domain within which inequality of bargaining power between worker and employer may be taken for granted, and where protection of the worker against unfair exploitation is therefore a paramount and systemic rationale for law-making and for adjudication'[24].

Implicit here is a rejection of one of the notions at the heart of 'nexus of contract' thinking, namely that the company is a 'private association with which the state ought to have very little to do with[25]. Rather the company is to be seen as a public association. In as much as the state supports the company in it day-to-day operation in a variety of different ways, it arguably earns the right to intervene with measures designed to minimise any abuse of the employer's discretionary rights that might otherwise be damaging to society as a whole. It is point to which Chapter 10 returns in considering the role of public policy.

One of the most interesting questions is the extent to which such intervention has taken the edge of the pressure for collective action. The 'juridification' of the employment relationship discussed in Chapter 3 leaves considerable room for managers to act 'opportunistically', i.e. to take advantage of the asymmetry of power to push to the extreme the 'zones of acceptance' discussed in Chapter 5. Arguably, however, it has helped to take some of the edge off the abuse of managerial power – in particular, by helping to ensure greater consistency of management behaviour. It has also given employees a mechanism for appealing when they feel managers have abused their power. The wider implications of 'juridification' is an issue to which Chapter 9 will return in discussing the reasons for the decline in trade union membership and the coverage of collective bargaining over the last three decades

Coping with continuous tension?

If this discussion of power 'over' and power 'to' appears to be somewhat philosophical, it is important to emphasise that much of the day-to-day reality of employment relations reflects the more or less continuous tension between the two dimensions. Indeed, its contradictory nature is one of the great paradoxes of the employment relationship. Achieving the kind of power 'to' that the *Economist*'s Schumpeter columns extols sits very uneasily with the nature and extent of the hierarchical arrangements typically involved in exercising power 'over'. It may be possible in moments of crisis, but

achieving it regularly and consistently appears to be much more difficult.

Part of the problem is that the close association of managers with the design and operation of the organisation structure is double-edged in its implications. On the one hand, it means that the control that they exercise is not necessarily experienced as power 'over'. Rather it comes across as authority – in Fox's words, it is 'a relationship in which the superordinate is perceived by the subordinate as having the right to make decisions which must be accepted as binding'[26]. At the same time, however, authority is a very fragile state. Having responsibility means that managers are constantly on trial. In Fox's words again,

> Authority is not an attribute which can be built into the social system rather as one builds-motive power into the technological system. It is a relationship which requires appropriate behaviours from both superordinate and subordinate. It is one in which the subordinate extends 'consent' to the order-giving role of the superior, i.e. legitimises the norms governing this relationship'[27].

Any mistake or indiscretion very quickly becomes transparent and threatens to undermine managers' authority in the eyes of both colleagues and subordinates Authority is said to lie in the *right* to expect and command obedience. It will not do, however, to infer that authority exists simply because management norms have conferred this right upon certain specific roles. What if the subordinate does not acknowledge the right? It is he who confers legitimacy upon the superordinate's claim for obedience-or withholds it ... Perhaps inevitably, it is when they are uncertain about their positions and/or they suffer a loss of authority that managers fall back on resort to 'power over'. The problem is that the more they do this, the less chance there is of maintaining their authority. Furthermore, over-use of power over can become a habit, which becomes mutually re-enforcing. Industrial action often occurs when managers overestimate the power they have. They go over the top. There is a strong adverse reaction, to which they feel they have to respond with the exercise of greater power creating a vicious spiral in the process.

Perhaps even more important in the tension is if managers open themselves to the charge that they are abusing their power 'to'. It could be when they lose their reputation for technical competence – for doing what they are paid to do. Or it could be when they are seen to be taking more out of the business than they are putting in - it could be higher pay or perks or status or privileges. This is above all true of situations in which employees are expected to pay the price for management failure in terms of redundancy or closure.

The setting up of manufacturing operations in the UK of the Japanese car companies – Honda in Swindon, Nissan in Sunderland and Toyota near Derby – offers a good illustration of the point. Interviews with employees carry a very similar message. Japanese managers are tough and stand no nonsense but, unlike many of their UK or US counterparts, they are damn good at their job – producing reliable cars at affordable prices. Another reason for the respect in which they are held is that they seemingly show little of UK managers' interest in the trappings and status of management – they are very visible, wear the same overalls, share the same canteens and do not seem to be obsessed with the size of their company car.

This example draws attention to some of the underlying and more elusive considerations in fully understanding the exercise of power. The different status and perceptions of the role of managers is not something that individual managers are wholly responsible for. They are deeply rooted in the wider society.

The same is true of the relative status and importance accorded to the different management functions, which is so important in understanding the impact of corporate governance arrangements discussed in Chapter 8. Even the most cursory international comparison leads to the inescapable conclusion that there are fundamental cross-national differences that have very little to do with universally objective criteria. Rather they reflect the development of individual professions and occupations and the power/domination that they have been able to wield in the society. In the UK, the finance function and financial engineering enjoy a pre-eminent position reflecting the structure of financial markets and the raising of capital. In Germany, by contrast, the engineering/production function is much more powerful – partly because the status it enjoys in the higher

education system and partly because of the significance of the manufacturing sector more generally. Once in a position of such power these functions are able to wield considerable influence not just over the strategies of individual companies, but also business developments more generally.

In any event, down through the years, there have been many ideas for resolving the tension between power 'to' and power 'over', even if they have not been framed in this language. Thus, in the 1920s, there was considerable emphasis on the leadership skills of supervisors and the need for training in human relations. In the 1950s and 1960s, as Chapter 2 pointed out, there was emphasis on job design and issues of work organisation. In particular, semi-autonomous team working came to be seen as the great panacea for alienation and involvement as well as cutting out excessive and expensive managerial hierarchies. In the words of Peters,

> There is ample evidence that … economic performance will increasingly depend on quality, service, constant innovation/improvement, and enhanced flexibility/ responsiveness. Committed, flexible, multi-skilled, constantly retrained people, joined together in self-managing teams, are the only possible implementers of this strategy'[28].

Differences between managers and the managed also came to be seen as an issue, especially as Japanese manufacturers began to make the difference. From the early 1970s, there were significant moves towards single status terms and conditions that closed the gap on a wide range of highly symbolic differences such as canteen facilities and the funding of pensions. Open plan offices also came into vogue.

The delegation of responsibility continues to carry most hopes. To paraphrase Worsely and Moynagh, it is expected that more and more companies will be forced by competitive pressures to increase their products' and services sophistication, requiring them to transform their workplaces[29]. Competitive pressures, technology and customer relations, in turn, encourage greater decentralisation and team working. Coupled with the increasing attention focusing on winning

commitment, it means that individual employees are likely to be given greater discretion.

There is substantial evidence of significantly increased skill levels and that 'the most prevalent employer policy with regard to work organisation has been a move towards 'responsible autonomy''[30]. Yet, as research is already showing, where workers have assumed new responsibilities and have had more involvement in work organisation, there is a strong tendency for managers to seek new forms of control. Most obviously there are rigorous performance targets, peer monitoring, frequent appraisals and other forms of surveillance. As authoritative bodies such as the UK's Audit Commission[31] and the House of Commons Public Administration Select Committee[32] have recognised in the case of public services, centralised and detailed targets, very often reflecting short-term political pressures, have considerably distorted management priorities as well as riding roughshod over local consultative processes. As well as "middle managers' resistance, worries about risk are also expected to seriously weaken the delegation of authority[33].

Other proposals have gone beyond what might be described as 'hygiene' remedies to deal directly with the power imbalance. Thus the idea of some form of collective employee 'voice' has been strongly canvassed. Individual 'voice' mechanisms such as team briefings, quality circles and suggestions schemes may be necessary, but are not in themselves sufficient because they do nothing to affect the power relationship. Managers who resist collective forms are denying themselves an opportunity to hear how it really is. A second debate has taken place about the type of collective 'voice' mechanism. Many countries have introduced democratically-elected statutory works council-type institutions with rights ranging from information and consultation to co-determination. The weakness in this, goes the argument, is that such bodies are insufficiently independent. In the UK, in particular, rather than being posed as complementary, works council-type institutions have been seen as a threat to traditional collective bargaining, helping to explain the TUC's considerable ambivalence to the EU's 2005 national information and consultation directive.

It is also in the UK that attempts were made in the 1970s to promote the idea of 'management by agreement' in the form of collective bargaining[34]. Here the starting point was Flanders' famous dictum, that if managers wanted to regain control, they would have to share it[35]. Arguably, it was employers' fear of having collective bargaining in the boardroom that it made it impossible to reach a consensus about worker directors on the Bullock Committee of Inquiry into industrial democracy in the mid 1970s.

One idea that seems to survive – it appeared on the agendas of both main political parties in the UK's general election of 2010 - is that of worker cooperatives or labour-managed firms. In principle, in a truly competitive market economy, it should not matter whether it is capital that hires labour or labour that hires capital[36]. On the face of it, however, of the three main forms of control (the traditional share-holder-managed, state enterprises and worker cooperatives or labour-managed firms), the last would appear to be far superior in terms of shifting the balance from power 'over' to power 'to'. As Table 6.1 suggests, worker cooperatives provide goods and services in ways that minimise the 'economic autocracy' of the traditional (shareholder-managed) firm. They are not exploitative in the way that such firms are – employees enjoy the fruits of their own labour. Excessive hierarchy can be avoided and appointments made to hierarchical positions in a way that promotes efficiency and commands general respect (which are two of Williamson's[37] criticisms of traditional managerial hierarchies). Perhaps above all, to paraphrase Vanek[38], whereas in the traditional shareholder-managed firm, people enter the equation with a negative sign as costs to be minimised, in the worker cooperative they and their development are central. Additionally, there are the social capital benefits that worker cooperatives bring. In the words of the International Co-operative Alliance, co-operatives are based on the values of 'self-help, self-responsibility, democracy, equality, equity and solidarity'; there is 'concern for community' and employment is 'an exercise in economic democracy'[39].

Worker cooperatives are also not just abstract concepts. There are many of them and many varieties. In the UK, the highly profitable John Lewis Partnership (known as 'Britain's favourite retailer'),

employs almost 70,00 people in its department (John Lewis) and food (Waitrose) stores. In Spain's Basque country, the Mondragon Corporation employs over 92,000 people working in companies in finance, industry, and retail, along with a university and a number of technology centres. Arguably, too, although not a very good advertisement for the model, many banks and financial institutions have increasingly come to resemble worker cooperatives in as much as the interests of the workers come first.

The obvious question is that, if worker cooperatives bring the advantages they appear to do, why are there not many more of them? Some of the reasons advanced turn on the practicalities of the operation of worker cooperatives and their relative efficiency. Critics argue that the decision making processes are not as dynamic as those in the traditional shareholder-managed business; that meeting both co-operative aims and business needs requires complex management; that the different groups are prone to conflict; that cooperatives have difficulty in recruiting and/or retaining people with managerial abilities. Another line of explanation picks up the argument in Chapter 4 about 'path dependency' and critical mass. Moving from shareholder-managed firms to labour-managed ones would not be straightforward in an era when shareholding is much more dispersed than when Spedan Lewis transferred control of his company to its employees in 1950. Without a critical mass, it would also be difficult to convince people that this was a realistic proposition.

The power considerations discussed earlier in this chapter also have to be taken into account. Worker cooperatives do not just mean that the power of managers is reduced. Much more fundamentally, there would not be the same opportunities for external shareholders to extract appropriate anything like the same level of 'rents' they are able to from traditionally-run businesses – arguably, the banks, with their very high levels of profits, being the exception that proves the rule.

The advocacy of worker cooperatives by the two main parties in the UK's 2010 general election also needs to be put into context. In both cases, the proposals were targeted primarily at the public sector. Both parties may be sincere in the belief that their proposals would bring the kind of benefits outlined in the *Statement on Co-operative Identity*. It is difficult to escape the conclusion, however, that political

expediency was the main motivation and the earlier discussion of the 'faces of power' highly relevant. Thus government and local authorities will continue to retain the ultimate power to set budgets and impose targets. Meanwhile, devolving day-to-day operations to bodies such as worker cooperatives means that policy makers will be able, to some extent, to distance themselves from responsibility for decisions that are likely to lead not just to a reduction in the services available, but also a loss of jobs and a worsening of services. As the 'Comprehensive Spending Review' of October 2010 revealed, there will be deep cuts in public expenditure reflecting the rise of the national debt incurred in overcoming the banking and financial crisis of 2007-09.

Table 6.1 Three types of control structure[40]

	Traditional Corporations (Shareholder-managed firms)	State Enterprises	Worker Cooperatives (Labour-managed firms)
Purpose	Earn profit and increase value of shares	Provide goods and services for citizens.	Maximise net and real worth of all owners.
Organisation	• Organised and controlled by investors • Incorporated under relevant incorporation laws - varies by country • Except for closely held companies anyone may buy stock Stock may be traded in the public market	• Organised and controlled by state • Chartered by relevant level of government • No stock	• Organised and controlled by worker-members • Incorporated under relevant incorporation laws - varies by country • Only worker-members may own stock, one share per member No public sale of stock
Ownership	• Stockholders	• State	• Worker members
Control	• By Investors- managed form • Policies set by stockholders or board of directors.	• By state • Policy set by government planners.	• By worker members • Policy set by directors elected by worker-members, or by assembly of worker-members

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Table 6.1 Three types of control structure (cont.)

Sources of Capital	• Investors, banks, pension funds, the public • From profitable subsidiaries or by retaining all or part of the profits	The state	• By members or lenders who have no equity or vote • From net earnings, a portion of which are set aside for reinvestment
Distribution of Net Margin Capital Dividends	To stockholders on the basis of number of shares owned No limit, amount set by owner or Board of Directors	To the State	To members after funds are set aside for reserves and allocated to a collective account Limited to an interest-like percentage set by policy
Operating Practices	• Owners or managers order production schedules and set wages and hours, sometimes with union participation • Working conditions determined by labour law and collective bargaining.	• Managers order production schedules and set wages and hours, sometimes with union participation • Working conditions determined by labour law and collective bargaining.	• Workers set production schedules either through elected boards and appointed managers or directly through assemblies • Working conditions determined by labour law and assembly of worker-members or internal dialogue between members and managers.

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