People, Management and the Corporation after the Global Financial Crisis

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Introduction

For much of the post-war era planning was dominant. Very large firms, such as General Motors, dominated predictable and secure markets that they sought to control through long range planning. In doing so these firms were assisted by the facts of post-war corporate life: markets that were largely based in the United States, protection from foreign competition by tariffs, standardization, regulation, subsidies, price supports and government guarantees. Nowhere were these activities more evident than in the Keynesian 'Warfare State' erected, in part, as an essential bastion of the Cold War.[1] Liberal democratic capitalism ran as a planned economy, funded in large part by the state but organized by business, advised by influential bodies such as the RAND Corporation. In the post-war era, up until the 1980s, large-scale corporate bureaucracies were at the heart of the economy, offering careers for organization men and the occasional woman. People were managed through their career aspirations.

The Keynesian Warfare State created technological innovations in abundance. These innovations, such as computers, fibre optics and satellites, creatively destroyed much of the old corporate America, with the rise from the 1980s onwards of the new economy of digitalization. In tandem with changes in the economy there was a

[1] The United States drew on the expertise of German rocket scientists, such as Wernhner von Braun, to develop their military-industrial complex, which was at the heart of the new state. The American government brought von Braun to Huntsville, Kentucky at the end of the Second World War to help them develop their missile strategy.

resurgence of market-oriented politics that dismantled many regulatory structures constructed over the past century. Competition became increasingly global and capitalism globally funds-based, led by the US. After 1980, with the rise of a new economic liberalism under the sponsorship of President Regan and Prime Minister Thatcher, new competition was unleashed by the joint forces of creative destruction and liberal economic deregulation. Reich (2007: 68) summarized the situation that resulted as one in which the political system became dominated by the economy of Walmart and Wall Street

Bureaucratic corporations in the private sector are now in decline. Davis (2016b) charts that the number of American companies listed on the stock market dropped by half between 1996 and 2012. The businesses that are replacing them employ far fewer people, if they employ many at all: Uber has over 160,000 'driver-partners' in the United States but recognizes only about 2,000 people as actual employees. The sharing economy is not an employing economy – at best it develops self-employment amongst many agents benefitting disproportionately a few principals but not the many employees.

Follow the money: Strategies, salaries and performance

The immediate post-war period saw some equalization in incomes across the board in the US, UK, France and elsewhere but, historically, the period proved to be exceptional. During the period from the end of the Second World War to 1980 a number of factors inhibited the tendency to increasing inequality. These included proactive measures such as the progressive taxation of capital income and wealth as well as physical destruction of capital as a result of the war; innovation and economic growth also decreased the concentration of wealth by enriching previously nonwealthy individuals. The post-war period up until the 1980s was an exceptional era in which the rate of return on capital (after tax) was less than economic growth, hence the reduction in income inequality. From the 1980s, things changed.

The top 1% of US executives and the top 0.1% of US households saw their income shares double from 1979 to 2007, earning more than 99.9% of all wage earners (Davis and Mishel 2014). Since 2007 profits have reached record highs while the wages of most workers (and their families' incomes) have declined (Mishel et al., 2012; Mishel, 2013). From 1978 to 2013, CEO compensation, inflation-adjusted, increased 937%, a rise more than double stock market growth that was substantially greater than the 10.2% growth in a typical worker's compensation over the same period. The CEO-to-worker compensation ratio was 20-to-1 in 1965, increasing to 29.9-to-1 in 1978, growing to 122.6-to-1 in 1995, peaking at 383.4-to-1 in 2000 and was 295.9-to-1 in 2013; if Facebook is included, whose executives are extraordinarily well-compensated, the ratio rises to 510.7-to-1.

Over the same period, CEO compensation grew far faster than that of other highly paid workers, so that they were earning more than 99.9% of other wage earners put together. CEO compensation in 2012 was 4.75 times greater than that of the top 0.1% of wage earners, a ratio 1.5 higher than the 3.25 ratio that prevailed over the 1947–1979 period. CEO pay grew far faster than pay of the top 0.1% of wage earners not because of the greater productivity of executives but because of their ability to set the terms of their remuneration: their relative power.

CEO compensation grew strongly throughout the 1980s but exploded in the 1990s and peaked in 2000, increasing by more than 200% between 1995 and 2000. Chief executive pay peaked at around $20 million in 2000, a growth of 1,279% from 1978.

This increase even exceeded the growth of the booming stock market, the value of which increased 513% as measured by the S&P 500 or 439% as measured by the Dow Jones Industrial Average from 1978 to 2000. In stark contrast to both the stock market and CEO compensation growth, private-sector worker compensation increased just 1.4% over the same period.

The inequity is not just an effect of increasing salary differentials legitimated by the application of agency theory, important as these are. There are also the effects of what is known as 'shareholder value' – placing emphasis on short-term share value performance as a measure of success and aligning the interests of managerial 'agents' with the 'principals' holding shares, by making stock options a part of the overall remuneration.

The increasing inequality might be best documented in the United States but the effects are wider. The implications of these neo-liberal models are especially acute for developing countries and emerging economies because these models are neither capable of generating the large number of corporate jobs that were the basis for post-war development in the major OECD economies nor of sustaining efficient state sectors.

Taylor (2016) suggests that the economic challenges of the 2010s cannot be solved by the 1980s political consensus that saw economic growth being achieved by market deregulation and lower taxes and lower spending. Piketty (2014) argues that rising inequality harms growth, that social expenditures can be a revenue-boosting exercise and that governments need to intervene more not less; in short, Keynes needs to be rediscovered and Hayek and colleagues forgotten. Even the IMF says income distribution matters for growth, linking concentration of income shares at the top of income distribution (the top 20%) with GDP decline and increases in the income share of the bottom 20% with higher GDP growth.

The most recent trends from 2015 data reported in 2016 show no shift to a better distribution of incomes in terms of the prospects for growth – in fact, the inequalities are increasing: just 62 people own as much as the poorest half of the world's population, down from 388 in 2010 and 80 in 2015. As Hardoon, Ayele and Fuentes-Nieva's Oxfam (2016) publication, *An Economy for the 1%,* shows

> the wealth of the poorest half of the world's population – that's 3.6 billion people – has fallen by a trillion dollars since 2010. This 38 per cent drop has occurred despite the global population increasing by around 400 million people during that period. Meanwhile the wealth of the richest 62 has increased by more than half a trillion dollars to $1.76tr. Just nine of the '62' are women.

The disappearing person in the sight of corporate strategy

Powell suggests that management 'is a very human activity, conducted by people, through people, and for people. People define the problems, solve the problems, and research the problems, and nearly all of the problems involve people as their subject matter in one-way or another' (Powell, 2014: 201). Powell draws on Bowne's (1908) contrast between mechanical and organic theorizing, which in the former case excludes the person and in the latter binds all perception of objects and things to being embodied in the experiencing human being, which Bowne called personalism. It takes a person to make a physical observation or perform an objectification; what people do effects the objects that they interact with, most notably in terms of phenomena such as climate change; only people can make sense of the patterns of relations between mechanically conceived variables – their patterning does not disclose nature's message except to those whose ways of seeing, their paradigms, enable them to yield the secrets hidden in the relations; finally, the patterns created are always a matter of human interest – for example, prioritizing economism over people serves some interests just as prioritizing citizens over consumers serves some other interests.

In the most recent period, since the 1980s, earlier concerns of business educators with phenomena such as human relations, organizational modelling and social purpose have been overtaken by a belief in the value of quantitative analysis. In contemporary economics, mathematics trumps understanding and algebra is presumed capable of rendering all that is thought intellectually worthwhile. People disappear in the fog of numbers.

It is not sensible to focus merely on disembodied logic that ignores *who* enacts *which* practices as well as *how* they are enacted. Who is doing what, why and how they do it shapes what patterns become defined as effective people management. Moreover, this deliberate strategy will constantly be glossed in different ways, as a result of the ways it is enacted: emergence and deliberate determination are in constant interplay in specific contexts of action. Today, these are increasingly digitally mediated and offer new opportunities for engaging with people.

The organization in the digital age

Control is increasingly distributed across a network of actors, including new media and their users. It is a diminishingly private sphere of management control alone. Hackers can seize the company's social media projections; they can critique, ridicule and ironize them, they can disrupt them through sabotage; they can work together, provided there is trust, empathy and commitment on all sides. Organizations such as the World Bank or United Nations can reuse data from existing communicative infrastructures to examine policy and programme effectiveness. They do not need to do traditional evaluations. Control over such data as they do use 'will be distributed across complex socio-material networks that include interested organizations, automated algorithms, analysts and privately controlled meta-data systems' (Plesner and Gulbrandsen, 2015: 157).

Boundaries, choices and control are all shifting in the direction of increasing fluidity and plurality. Moreover, the new media modify personalism: it is evident that, in these days, if we are bereft of our digital devices and their affordances, we are less than fully human – McLuhan's (1964) hypothesis that the media become extensions of our nervous systems holds. Additionally, technology is being used as a means of distraction and appeasement. People become so wedded to their devices and the voyeurism of looking into other people's lives that nervous systems are adapted to the erosion of long-term ethicality as the digital carnival unfolds its tropes. We need to see socio-technology as more than human, as a space in which human choices interact with technological structuration of the strategic uses that can be made of the technologies: Google rankings, for instance. Devices make us members of those communities we co-create and share; they network our proclivities, interests and desires, they create the digital bubbles in which we live. New possibilities of network formation are central to strategy as these networks evolve communities over time (Fosfuri et al., 2011). The times may be changing. Secrecy and boundaries are not what they once were. The Panama Papers (International Consortium of Investigative Journalists 2016) are merely the latest digital despatch from the frontlines of a global economy that is increasingly being exposed as corrupted, something that government policies of de-monetization, such as those of President Modi in India, demonstrate.

After bureaucracy: the futures of organizations

Kallinikos (2006) argues that digital technologies allow tasks that were previously embedded in the 'fixed space' of traditional organizations (for example accounting, inventory management, production operations or financial management) to be dissolved and recomposed as 'informatised' modules or services (Kallinikos 2006: 96). Digital technologies are implicated in an historic shift dissolving bureaucratic organizations. The major advantage of digital technologies for business and organizations are their virtual possibilities for disaggregating existing designs. Increasingly, organizations are able to segment activities that are critical to their competitive advantage and to specialize elsewhere those that are not. The non-core functions, such as back office accounting, telemarketing, or programming are outsourced to parts of the world where the wage is one third to one tenth the cost in the home market, dramatically reducing operating costs and increasing competitiveness. India has benefitted a great deal from this tendency – but not as much as the global centres. The consequence, organizationally, is a deconstruction of the scalar and career elements of bureaucracy for all but the elites in the global centres and a subaltern role for the economic margins.

If the call centre is the very model of the decomposed bureaucracy, what happens to the central heights of the bureau that are not outsourced? In *The Rise of the Network Society* (Castells 2000) regards the network as the fundamental form transforming post bureaucracies. Networks can be understood as a long-term relationship between organizations that share resources to achieve common goals through negotiated actions. Castells' account of the digital future is premised on seeing extensive organizational subcontracting through inter-firm networks, the use of 'multidirectional' networks of technologically dynamic firms, highly automated for productivity, and the development of a plurality of strategic alliances between small and large firms (Castells, 2000: 163-188). More innovative flexible responses demand both inter-organizational networking and the functional decentralization of managerial structures (Heckscher and Donnellon, 1994; Nohria and Berkley, 1994). 'Network enterprises' are characterized by decentralized loosely coupled, flexible, non-hierarchical and fluid forms, horizontally networking, finding their clearest expression in high-tech sectors such as IT, biotechnology and advanced manufacturing (Castells 2000).

In contemporary post bureaucracies the promotion of socio-economic cooperation is achieved through the manipulation of specific trust/control mechanisms (Castells 1996). These hybrids make politically viable a fuzzy, but nevertheless active, system of concentrated power. The "organizational hybridisation" analysed by Ferlie et al (1996) in the British health-care sector, demonstrates the political aspect of the dynamics implied. Classical administrative [bureaucratic] power is maintained, because these post bureaucratic hybrids "have the technical and ideological capacity to combine and re-combine selected elements of managerialism with pre-existing structures of political, administrative and professional power" (Reed 2001: 220). These hybrids often generate considerable mistrust, if not downright opposition, on the part of some groups of professional experts wedded to professional norms, experts who sense a decline in the conditions enabling the exercise of autonomous judgement.

The post bureaucratic hybrid is a “loosened community” (Courpasson and Dany 2003), where relationships and groupings are temporarily maintained, where individuals’ destinies are more and more separated, where the institutionalised dialogues and interactions are operated through sometimes uncertain and barely legible networks of control, of influence and of friendship. Consequentially, there is far less opportunity for the formation of stable views of the person in situ.

The emergence of a platform economy enables a broader recourse to a market type of governance, funded by spot contracts, by dramatically reducing transaction costs and making it easier to assess the contribution of providers: for instance think of YouTube, where the ‘value’ of a contribution is automatically assessed by the market. The corporation which exploits the IP of Youtubers does not have to invest resources into editorial selection; anything goes, and the audience itself selects what is ‘worthy’, while the platform provider extracts value from the generated ‘traffic’. Freedom and participation in this platform economy comes, however, at the cost of reduction of responsibility and accountability for those who are the contractors/platform managers. While the ‘open source’ movement has enabled great collaborative achievements, the new ‘shared economy’ offers nothing so much as innovative opportunity to exploit unused resources. The rise of ‘freelancing’ platforms can enable subjects who might otherwise be excluded from the marker to accumulate experience and visibility, at the cost of a commodification and marketization of everything. The main contractors in the platform economy neither feel nor bear any responsibility for the well being of their providers. In the new platform economy the transaction the providers enter into (as persons) is reduced to their creative input: if this stop flowing the creator is destined to oblivion. This is further accelerated by the increasing importance of a parallel ‘currency’ fuelling this hyper-marketized economy: vanity and popularity.

Individuals are offering their labor not in exchange for money but for visibility, public approval, ‘likes’ and ‘fame’. However these assets appear to be very perishable: the owners of the game keep on accumulating hard currency and the surplus value they appropriate increases, since they can pay a great portion of labor cost with the contemporary equivalent of ‘beads for the savages’…

What is distinctive about the contemporary post bureaucracy is that the major mechanism of the career has undergone a substantial change. Careers will be increasingly project-based in post bureaucratic organizations. Increasingly they will be liquid careers, flowing now like mercury and then reconsolidating in a new plane of activity. The project – whether innovation, R&D, engineering, marketing or whatever, becomes the major vehicle for organization networks and alliances and developmental tasks within specific organizations – although, increasingly these will involve team members from other organizations. In such hybrid and often-unclear situations conflict and confrontation are inevitable, so managing emotions becomes a crucial skill. Managers need to create a learning environment—coaching, hands-on-teaching and mentoring—to stimulate and develop their employees – and to manage expectations about evolving roles in projects. Employees will be sensitive to shifting roles and the signals they send about a person's worth. a popular metaphor for the post bureaucratic manager is that of a coach trying to build a team out of a group of highly paid free agent talents, networking like crazy.

Taking together the characteristics of networks, alliances, collaborations, virtual relations, multiple stakeholders, liquid careers, and work in projects, it is not surprising that the project should have emerged as the point at which all the contradictions of post bureaucracy are concentrated. Looked at from below, from the perspective of the subaltern, contemporary organizations are shape-shifters, project-based, with teams composing and decomposing, locations shifting as projects are completed, KPIs changing with projects, and one's individual organizational future uncertain. From the perspective of the elites the story is quite different. They know that they are over the threshold where the golden chains are evident. The largest problem that they must deal with is using the project shape-shifting that goes on outside the threshold as the basis for competitions and tournaments that will decide who may cross the threshold.

What the new post bureaucracies proffer the people being managed, apart from the elites, is a great propensity for anomie. Anomie is usually taken to mean a state of normlessness, detachment and non-solidarity created by a mismatch between personal or group standards and wider social standards.[2] The gap occurs because of the lack of social ethics integrating individuals into broader moral sentiments. When competitive strategy engenders indifference through the behavioural norms that it spreads, when the decomposition of the corporation becomes the norm, when social relations become predominantly digital relations, anomie will escalate in corporate ranks as the vast majority become self-employed, precarious and marginal employees or outsourced sub-contractors. The corporation becomes a citadel that a an increasingly privileged but diminishing number of people can breach.

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[2] The term is ineluctably associated with the sociologist Emile Durkheim but was, in fact, coined by Jean-Marie Guyau (1886; see Orru, 1983).

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