THE BELIEFS, VALUES AND ATTITUDES OF BRITISH TOP BUSINESSMEN CONCERNING CLASS AND CLASS RELATIONSHIPS, WITHIN THE FIRM, AND WIDER SOCIETY.

by

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The Beliefs, Values and Attitudes of British Top Businessmen concerning Class and Class Relationships, within the Firm, and wider Society. John Edward Fidler

ABSTRACT

This study considers the debates surrounding the business elite in sociological theory, and presents evidence relevant to these from an empirical study of one hundred and thirty British top businessmen.

Businessmen are seen as playing three important roles within a capitalist society: they are allocators of economic resources, political influentials, and ideologists. There is far from a consensus among theorists as to how they play such roles. And whereas much of the resulting debate concerns the values and attitudes of capitalists, managers and State officials, much of the evidence that has been previously presented concerns their social origins and recruitment.

This study therefore considers the relationship between objective situation and subjective perception of it, particularly with respect to what are known as images of society. Findings are then discussed from an empirical study of chief executives and other directors of large British commercial and City companies. These men were personally interviewed by the author.

The study considers the social origins and careers of top businessmen, and their beliefs and values with respect to the role of the director, the goals of business companies, conflict and consensus within the firm, social class and status in Britain more generally, and the potential which businessmen have for influencing State officials.

Attempts are made to relate beliefs and values in these different areas to one another, and to known aspects of individual businessmen's relationship to capital, social background and career. These attempts are more successful when the discussion is concerned with objectives and relationships within the firm, than when it turns to class and status more widely. Conclusions are drawn for future theory and research of relevance both to studies of the business elite, and of images of society.

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'The ideas of the ruling class are in every epoch the ruling ideas.'

(Marx and Engels: The German Ideology)

'Only the expert knowledge of private economic interest groups in the field of "business" is superior to the expert knowledge of the bureaucracy.'

(Weber, M.: Economy and Society, p.994)

CHAPTER 1

SECTION ONE

1.1 Introduction

The focus of this study is the beliefs, opinions, values and attitudes of British top businessmen. It is largely an empirical study, indeed what distinguishes it from most preceding studies is that the bulk of it is based on 130 first hand interviews by the author with chairmen, managing directors, and other directors from a range of large British non-nationalised companies. These interviews took place over a period of two years (1974-1976); and have been followed by lengthy analysis of the resulting material.

The perspective of the study is that of the sociologist, and this shaped the content and style of the interviews. There are many topics on which laymen might seek the opinions of directors; amongst them, for example, how to cure Britain's economic ills, how to run a large company, or what abilities or traits are needed for a successful career in commerce.

Whilst this study is not irrelevant to such concerns, they were not its main objectives. These objectives are set out below (1.3), but simplifying them we may say that the research was intended to investigate the possibilities of access to top businessmen, and as far as possible to make a study of their values, attitudes and beliefs particularly with respect to class, status and power in Britain. We wanted to interview businessmen so as to obtain direct evidence of their attitudes, beliefs and to a lesser extent, behaviour, because so much sociological theory with respect to such elite groups is based on inferred attitudes and behaviour.

It should be made clear at the outset of this thesis that the study was conceived as an exploratory one. We did not know when we began how successful we would be in obtaining access to businessmen, nor how useful our research methodology would prove to be. In the event we claim some moderate success (see Chapter 3) in obtaining access, but we are also aware of the limitations of the resulting data, and these we discuss in our concluding chapter.

Before moving to our empirical data we intend to show that an understanding of the values and beliefs of businessmen is of importance to sociological theory. The crux of any such argument however is relatively simple; it is that businessmen have power and influence in certain domains of social life, even if this extends no further than to their own companies. They, more than other people, have the ability to act in accordance with their own interpretation of the world, and to some extent, some would say to a very large extent, they are able to impose their values, their opinions, their attitudes on others.

Thus we begin the study by setting out the place that the business elite have in sociological theory, and the varying interpretations of their role and importance in society. We hope to show that businessmen whether as an elite, or as members of a class, or even more straightforwardly as top managers, enter into key roles in the conceptualisations of sociologists in ways that, for example, foremen or professional employees, do not. Yet despite the importance they are given, there are few extensive studies that focus specifically on them, and those that there are are often unsatisfactory simply because the assumption has been made from the outset that businessmen cannot be studied in the way that sociologists would study other groups.

The study of how social class, status, and power in society are perceived by members of society has received much attention. The reason for this is presumably that, although sociologists might be able to construct models of society which bore no resemblance to the way it is perceived by other members, the perceptions of how society 'is', of 'why it is', and of the limits, consequences and possibilities of social action, are important in guiding the actions of members of society. Amongst such studies there is a dearth of those that look specifically at those who benefit (even taken in a material sense) from existing social structures. Elite groups, we shall see, are doubly interesting in this regard, for they are both groups that are part of social structures, but which also have capacities to define and shape them.

1.2 Context of the Study

The period in which the study took place was an especially interesting one in which to study British businessmen. In January of 1974 the third phase of the wage policy of the Heath government foundered in the face of opposition by the coalminers. The resulting election of a Labour government seemed to indicate that the previous Wilson administration was not just a short interlude of change for a country that had been governed very largely over a considerable period by the Conservative party.

This is of some importance since, in the past, it has been all too easy for sociologists to depict politicians, civil servants, businessmen, and even the landowning aristocracy, as being all of a piece, as members, or the willing fellow-travellers, of a 'ruling class'. It has been simple to show the multiplicity of links between the State, aristocracy, and business when the Tory party is in power. The relatively long period of Labour rule, for they have now been in power for nine out of the past thirteen years, has at least brought forth some more sophisticated conceptions of the relationship between the State and business, that accept, and in some cases insist on, the autonomy of the State with respect to the capitalist class.

Originally, as was clear from the interviews, the manner and passing of the Tory government greatly alarmed those who head large corporations. So too did the personnel and the avowed intentions of the new Government. From their manifesto, and the pronouncements of members of the Cabinet, it seemed that there was to be more nationalisation of companies in the private sector, together with the creation of a National Enterprise Board; there would be an attempt to direct capital investment through the enforcement of planning agreements; the Conservatives' Industrial Relations Act would go, to be replaced by something more favourable to the trade unions, and measures to introduce industrial democracy would be made law.

Thus, at the start of the period of interviewing, businessmen were far from happy with the prospects for the country or themselves. In fact, at the time of writing, the above measures have come to very little. The Government has been preoccupied with the economy and its most draconian measures have been directed at curbing inflation. However even its efforts in this direction did not always please the heads of industry. At one stage the Government was controlling prices, wage rises, and dividend increases, and was apparently intending to control investment as well. Certain trade union leaders seemed to have a major hand in all this, and thus readers of the heavier newspapers were introduced to the concept of 'corporatism'.

In the face of the apparent strength of the Labour left vis-a-vis the government, the genuine problems faced by many businesses, and the effect on their own rewards of inflation and wage control, businessmen did attempt to counter, at least by propaganda. Thus they took all opportunities to emphasise the need to raise profitability levels; or to refer to the drain, real or apparent of managerial talent caused by the restriction of salary levels, or the low morale of the country's managers.

It may just be this writer's own sensitivity to such issues, but it does seem that business's attempts to put its case have been hampered, both during the last Conservative government and since, by a succession of events that were, if not scandals, certainly unfortunate publicity from the business point of view.

To name some of these: there was the property boom, during which some highly publicised deals, in which enormous profits were made, took place. (Symbolised by the huge and empty Centre Point). There was the refusal by Distillers to

pay compensation to thalidomide victims, until public (and private) pressure forced them to. There was a Boardroom row at Lonrho, and subsequent revelations, which moved Mr. Heath to the memorable description of the events as 'the unpleasant and unacceptable face of capitalism'.
The end of the property boom precipitated the collapse of several so-called fringe banks, together with one or two not-so fringe merchant banks. And in turn came the demise of Slater-Walker, together with revelations of illegal deals in the Far East. There were reports that numerous British companies in South Africa paid wages below the 'poverty datum line'. There was the departure of the chief executive of the Rank Organisation, and the attendant publicity given to the amorous activities of the chief executive and chairman. More recently the chairman of Scottish and Universal Investments has resigned after allegations of insider trading. And in common with American multinationals, a number of British companies have admitted to paying bribes for business in various countries.

Most of the businessmen interviewed here would dismiss these stories, indeed did dismiss these stories, as being unrepresentative of the bulk of business activity or behaviour by business leaders. But the stories alluded to, though some in isolation are trivial, can hardly have served to impress on the general public that the behaviour of those who head large corporations is, in the phrase of the Advertising Standards Authority, 'legal, decent, honest, and truthful'.

But the past years have not been ones of continuous gloom for businessmen, and indeed, by the time of the last interviews, in late 1976, a distinct change was noticeable in their feelings. This was due to two aspects of Government behaviour: by then its economic policies were beginning to show signs of beneficial effect, and it was clear that many of the actions it had at first promised, or threatened, were not going to come into effect.

To trace a few of these changes from the Government side: the price and dividend controls which were being applied in 1974 have been relaxed; the Industry Act has had no noticeable effect; the Government's intentions to introduce measures to establish greater industrial democracy are in abeyance; and Mr. Healey's promise to 'squeeze the rich until the pips squeaked' has resulted in a Royal Commission on the Distribution of Income and Wealth but little more.

Thus, the changing climate may be summarised as being one in which business was initially extremely worried; in which it has been continually on the defensive, but in which, in the event, few of its worst fears have been realised.

1.3 Objectives and Plan of this Thesis

The objectives of this research were:

1) To attempt to obtain access to top businessmen (as will be defined) and if possible to the elite[1] within businessmen, to establish the extent to which such access is possible; and the extent to which the methodology of the personal interview is a useful and valuable one in investigating certain topics of interest to sociologists.

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1. The term business elite is not meant to imply a theoretical perspective here - see Section 1.4.

2) The first such topic considered in the research programme was that of the 'images of society' held by businessmen. We take such images of society to encompass more than beliefs or pictures of class and status, but also to embody assumptions about, and attitudes to the workplace and the local community.

Thus taking as a first task of sociology that of making accurate and detailed descriptions of society, we had as an objective a description of the images of society held by businessmen, who may be considered as a middle social class, or as members of a ruling class or as a part of a power elite, and whose viewpoint may be compared and contrasted with that of other groups in society.

3) The relationship between the objective situation of members of society and their subjective perception of it, has been much discussed in sociological theory. We wished also to apply the assumptions of such theory to the case of businessmen and, in asking how far that theory was able to predict the images of society we found, to test that theory itself.

4) In addition, arising from our reading of theory, we wished to consider the position of the business elite, in playing two key roles within the capitalist system, a role as allocators of economic resources, and a role as political influentials or power holders, and we used the interview methodology to study businessmen's own perceptions of these roles and the way they play them.

Now although we state these objectives at this stage, it should be pointed out that they were less clearly specified prior to the study. We must emphasise that the objectives result from our understanding of theory as it concerns the business elite, but that at the commencement of the study it was not clear that a study of the business elite (as opposed to businessmen in general, or managers) would be possible. The study was envisaged as an exploratory one, to develop hypotheses and point the way for future investigations. Thus, the study was extended to encompass new objectives, and to take account of earlier findings, during its course.

We may now set out the plan of the thesis, which is as follows:

Chapter 1:

In the remainder of this chapter the various roles accorded to the business elite in sociological theory are reviewed. We start by outlining the relevant aspects of the works of classical theorists, Marx, Weber, Pareto and Mosca, regarding later theory as a development of their conceptions.

We approach more recent theory and research by distinguishing three important roles which the business elite can be said to play. These are:

1) The role of allocators of economic resources within the economic system.

2) The role of political influentials in the national power structure.

3) A role as creators and sustainers of conservative ideologies.

Chapter 2:

In Chapter 2 we turn to discuss the theory, and relevant research, underlying the study of what have been termed images of society. We discuss the ways in which attempts have been made to link the subjective aspects of class, status and power to the community and work situations of members of society. In considering these in relation to businessmen, we find the position to be more complex, and far less researched, than for manual workers. We attempt in this chapter to treat businessmen in a parallel manner to that in which other groups have been treated in discussions of class imagery; and to bring together some of the more important factors that may be expected to influence their view of their own position.

Chapter 3:

The third chapter sets out the methodology of the empirical study. It discusses the reasons for choosing an interview methodology, the problems of access to businessmen, and how these were solved, and the resulting treatment of the data.

Chapter 4:

The next chapter considers the social and family background; the education, careers and present community life of the interview respondents. This is done in order to compare the respondents with previous studies of the business elite; and to give a more accurate guide to their place in the stratification of British society.

Chapter 5:

The first chapter to rely solely on interview data explores the view that the men interviewed here, the majority of them chief executives, took of the companies they headed. It considers the objectives they hold for their companies in the light of the debate over ownership and control. We look at how directors see their own tasks in the firm, at the differences between family businessmen and managers, and, so far as we can, at how long term objectives are likely to be translated into more short term ones.

Chapter 6:

The following chapter then looks at businessmen's expectations of conflict and consensus in the company. It begins by considering the extent to which objectives set at the top are thought to be shared by groups below; at the extent to which conflict is expected between management and others, and at some consequences of these expectations.

Chapter 7:

In Chapter 7 we turn to a central concern of the study, that of the images of society held by businessmen. These are discussed in categories similar to those used in other studies; that is the extent to which distinct classes are perceived; the number of and divisions between such classes; the factors that differentiate members of different classes, especially the upper class; and the self-placing of respondents. We then compare and contrast the respondents' images of society with those observed in studies of other social and occupational groupings in Britain.

An attempt is then made to relate the variation of businessmen's images of society to various objective factors. This has very limited success. However, we do note some distinctive viewpoints among certain minority groups of businessmen. And we point to the shared assumptions and beliefs that we see as underlying the apparent variety of viewpoint found in the interviews.

Chapter 8:
In the eighth chapter we ask to what extent businessmen see themselves as a power grouping in relation to the State, and how they attempt to influence the activities of State officials. Once again the attempt is made here to understand the business point of view rather than putting forward a particular theoretical perspective.

Chapter 9:
In the final chapter the findings of the empirical study are brought together and extended, and some conclusions for future theory and research are drawn.

1.4 A Terminological Note

We have already made references to 'top businessmen' and to the 'business elite'. To avoid confusion it may be as well to state at this stage what is, and is not, intended to be implied by these phrases.

In the discussion of the literature which follows we examine the various sociological debates which revolve around what we call the business elite. By this grouping we mean those who hold the higher positions (for example, main board directors) in the larger non-state owned enterprises, that is manufacturing, service and financial companies.

Throughout our discussion we refer to the business elite rather than the economic elite, though the latter is the more commonly used term. There are important reasons for doing so. The term economic elite implies that the group in question has a major role in national economic affairs, and it is clear that many groups other than businessmen have such a role. Even if the economic elite were taken to mean the heads of large economic organisations it should surely include the heads of nationalised industries and the civil servants who deal with them. However, this study is concerned solely with non-nationalised companies. Equally we intend to show that the business elite are thought to have important roles other than the purely economic.

In using the term business elite we acknowledge that it may be construed as implying a theoretical position. Elite theory is historically linked with attempts by Pareto and Mosca to create a political science on a different basis to that employed by Marx (see Bottomore (1966), Meisel (1965)). Thus Marxists are inclined to rebuke sociologists, or even, as in the case of the Poulantzas-Miliband exchanges each other (Miliband (1970), Poulantzas (1969)) for using the term elite. They appear to feel that the mere use of the word elite implies that power can reside ultimately with a group other than the ruling class, and would prefer to confine their analyses to 'fractions of capital'.[1]

1 There are, of course, a number of other reasons why Marxists dislike the concept of the elite, which should become evident from the discussion below.

We wish to emphasize that we do not intend to prejudge the issues of whether there is a ruling class, a power elite or competing elites in society. We use the term business elite in the same way that Giddens (1973, 1974) refers to 'elite groupings'. It is a descriptive phrase to designate men in the top positions in bigger firms. For when we turn to discuss the three roles that we see the elite as potentially having, it will be clear that not all business company managers nor all men with the title director, play the roles to a significant extent.

The three roles are those of allocator of economic resources (capital); of influential in the state political process, and of ideologist. It is an assumption of this work that men who head larger companies are more likely to play such roles than men in small companies. In other words it is taken as self evident that in an advanced industrial society, men heading a multinational conglomerate employing tens of thousands can have an impact through the way they allocate capital, or can be politically influential, to an extent that is of an entirely different order than that of the head of a firm employing half a dozen men. Even if we accept the existence of a ruling class distinguished by its ownership of capital, we believe that men could share a similar position as members of such a class, without necessarily having a similar political or ideological role in maintaining capitalism. We are not meaning to suggest that all men in firms above a certain size play the three roles we refer to, whilst those in smaller firms do not, rather that, if businessmen have such roles at all, then it is among men heading the very large companies that the roles become significant.

A further possible source of confusion, however, in this study is that although our review of the literature is concerned with the business elite, our empirical study was almost certainly not devoted entirely to men who would be members of such an elite. The majority of those who were interviewed did head (i.e. were chief executives) of quite large (e.g., top 250 by turnover) firms. But a few came from very much smaller companies, although in such cases they were chief executives. Thus in discussing our empirical work we usually refer to 'top businessmen'.

SECTION TWO: THE BUSINESS ELITE IN SOCIOLOGICAL THEORY

1.5 The Marxist Perspective

In Marx's theoretical model of developed capitalist society two classes are seen as primarily important for the dynamics of conflict and change: the bourgeoisie, that is the owners of industrial and financial capital, and the proletariat who have only their labour to sell.

To the extent that businessmen figure in Marx's writings then it is as members of the bourgeoisie. The latter owns the means of production, and from this it derives its power. Once this ownership is institutionalised in law, and passed on from generation to generation the bourgeoisie come to constitute a ruling class. As such they may be expected to defend their class interests. Marx recognised the existence of the hired manager, and he saw the coming of the joint stock corporation, but in these developments he seems to have seen not a fundamental deviation from his model, but a weakening of the system that the revolution of the proletariat would ultimately end.

Amongst the many concepts and ideas to be found in Marx's work two are of great importance to the concerns of this study. The first is that the ruling class, the owners of capital, dominate the State. The idea is put, for example, in the polemical style of The Communist Manifesto:

> "The bourgeoisie has, at last, since the establishment of modern industry and of the world market, conquered by itself, in the modern representative State, exclusive political sway. The executive of the modern State is but a committee for managing the common affairs of the whole bourgeoisie." (Marx and Engels, 1964)

Writing 20 years later of France, Marx further defines what constitutes the State, and indicates that his view of its relationship to the bourgeoisie is unchanged:

> "The centralised State power, with its ubiquitous organs of standing army, police, bureaucracy, clergy and judicature - organs wrought after the plan of a systematic and hierarchic division of labour - originates from the days of absolute monarchy, serving nascent middle class[1] interests as a mighty weapon in its struggle against feudalism". (Marx and Engels, Selected Works, 1968, P. 289)

And further:

> "At the same pace at which the progress of modern industry developed, widened, intensified the class antagonism between capital and labour, the State power assumed more and more the character of the national power of capital over labour, of a public force organised for social enslavement, of an engine of class despotism." (Ibid)

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1 The original translates as middle class here. It must be recognised that at this stage France would not have been seen by Marx as a fully developed capitalist society - it still had a very large peasant class. The bourgeoisie are still a middle class with respect to the landowning class, but in more fully developed capitalist societies the two groups can be expected to be interpenetrated.

It is clear from these statements that Marx sees the State in capitalist society as so organised as to favour the interests of capitalists. Yet these fragments and a few similar constitute almost all the theory of the State that Marx himself provides. It follows from these extracts, however, that the capitalist class is a ruling class as a result of the domination it has by one means or other over the State, and this is presumably why Marx expected the revolution to be a sudden and violent affair.

A second aspect of the ability of the bourgeoisie to rule, however, is its use and manipulation of ideology and this is put forward in the well-known passage:

> "The ideas of the ruling class are in every epoch the ruling ideas . . . . The class which has the means of materials production at its disposal has control at the same time over the means of mental production, so that thereby, generally speaking, the ideas of those who lack the means of material production are subject to it". (Marx and Engels, The German Ideology, 1968)

Thus within Marx's work are notions concerning social class, the role of the State and of ideology which are of great importance for sociological theory. All three are sketched within the outlines of a more general theory; but because they are little more than sketched they have given rise to controversey not just between Marxists and others but amongst Marxists themselves.

1.6 The Weberian Critique

In common with most theorists we see the basis of a critique of Marx in the writings of Weber. The cornerstone of this critique is Weber's attention to the more complex basis of class formation than Marx allows for. In particular Weber's theory can be said to take account of the rise and extension of the middle classes in capitalist societies. This is of clear importance in a consideration of the business elite, as it can be maintained that a high proportion of the elite are not capitalists in the sense of owning a significant proportion of the capital of the firms they manage. The ramifications of this are discussed at some length below. It is necessary first to give some close attention to Weber's theory.

It has been claimed on the basis of certain statements in Capital, and the Theories of Surplus Value, that in his description of the historical development of capitalism in Britain, as opposed to his earlier philosophical or polemical work, that Marx was fully aware of, and specifically included in his theories, a middle class (see, e.g., Swingewood, 1975). The latter includes diverse groups such as the petit-bourgeoisie, shopkeepers and other middle-men, managers of economic enterprises and their assistants, as well as an 'ideological' group including lawyers, artists, journalists, clergy and State officials.

In fact such claims have a rather dubious basis since Marx elsewhere makes it abundantly clear that only two classes count in the dynamics of class struggle. To account for the rise and growth of the middle class or classes, sociologists have usually drawn on the work of Weber, but in doing so they are forced to abandon the idea of class as based primarily of the relations of production in favour of a view of class that sees it as stemming from the differential life chances that different groups have in the market.

Weber discusses class in two relatively short sections of Economy and Society (1968), and his meaning remains ambiguous. Weber defines both property classes, which are basically those recognised by Marx as stemming from the ownership of land or industrial capital, and commercial classes. The latter are distinguished by the extent to which they have managerial positions in economic enterprises, or are professional workers with sought after skills, or further have clerical or manual skills.

It can be seen that in basing a theory of class partly on property ownership, partly on marketable skill in this way Weber allows for the possibility of an almost infinite number of class positions. This is apparently not what he intends because he then goes on to distinguish 'social classes', which would appear to be groups whose position relative to the market is roughly similar and presumably recognised by them and others to be so.

The four social classes are thus:

a) The manual working classes

b) The petit-bourgeoisie

c) The property-less intelligentsia and specialists (technical, white collar employees and civil servants)

d) The classes privileged through property and education.

It is here that Weber is most ambitious: how much and what sort of education qualifies one to be in class (d)? More important in terms of this study, where do the business elite come - in (c) or (d)?

Weber regards the phenomenon of the distribution of power in industrial society as being more complex than Marx had portrayed it. Alongside the social classes, Weber points out that there are status groupings, status being an 'effective claim to social esteem in terms of positive or negative privileges'. Status can stem from a number of attributes, including social class position, and one effect of the status order, Weber believes, is that it may hinder the free development of the market. In effect what he appears to be saying here is that by restricting certain sorts of goods, status groups can stand against groups whose power stems solely from control of property.

Finally Weber adds in the formation of political parties in modern societies as an element of power distribution. Parties are specifically oriented towards the acquisition of power but from Weber's definition it appears that he means more than the conventional political party, and would include groups that are often now called interest groups. Together in Weber's own well-known formulation 'classes', 'status groups' and 'parties' are phenomena of the distribution of power in the community.

It can be seen that Weber does not use the term elite, and that his conception of the polity as we have it constitutes only the preliminaries to a theory of politics in capitalist countries. However, it is clear that Weber gives to the State bureaucracy power independent of any class interest, and sees it as potentially overwhelming.

Thus he writes that:

> "It must (also) remain an open question whether the power of bureaucracy is increasing in the modern states in which it is spreading." (Weber, 1968, P. 991)

But he later states:

> "The power position of a fully developed bureaucracy is always great, under normal conditions overtowering. The political 'master' always finds himself, vis-a-vis the trained official, in the position of a dilettante facing the expert." (Ibid)

Further on in the same section however, Weber adds that:

> "Only the expert knowledge of private economic interest groups in the field of 'business' is superior to the expert knowledge of the bureaucracy. This is so because the exact knowledge of facts in their field is of direct significance for economic survival . . . . Moreover, the 'secret' as a means of power is more safely hidden in the books of an enterprise than it is in the files of public authorities. For this reason alone authorities are held within narrow boundaries when they seek to influence economic life in the capitalist epoch, and very frequently their measures take an unforeseen and unintended course or are made illusory by the superior knowledge of the interest groups." (Ibid, P. 994)

Thus, in Weber's writings we can discern a theory of capitalism that suggests the civil service bureaucracy, allied or not with the elected politicians, and the business/financial interest groups as twin and potentially competing power groups.

1.7 Pareto and Mosca

We turn now very briefly to the theorists who first made use of the concept of elite as an integral part of their analyses, Pareto and Mosca. Both were concerned to oppose Marxist analysis with a theory of political science. Their theories, though sharing common elements are different, and Pareto's is complex and beyond the scope of this work.

Both men[1] believed that Marx had overemphasised the economic. Drawing on the ideas of Gumplowicz (so Gregor (1969) states), they saw the dynamic of history and of social change not as class struggle but struggle between rival elites. The power of such elites can be drawn from sources other than their control of economic goods, but in Pareto's view at least they correspond in some way to the needs of society, or the state of society at a given time. At its crudest and simplest this reduces at one stage to the idea that elites may rule by cunning or force, and an elite dependent on one may be replaced by an elite making use of the other.

Since society is always controlled by elites, there is always inequality and this conception is used as a refutation of Marx's expectation of a classless society. However, Pareto and Mosca do not conceive of society in class terms, but rather the elite is seen as controlling or leading the mass, who are largely undifferentiated. Both theorists feel that violent revolution of the kind envisaged by Marx as leading to the classless society, was in fact doomed to replace one elite with another. Thus by one means or another a circulation of elites takes place. Again this is conceived by both in two different ways: Pareto more often uses the term to refer to the process by which one elite follows another; Mosca to the process by which members of the non-elite circulate into the elite, but both on occasion refer to both processes.

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1 Pareto's ideas are contained in The Mind of Society (1935); a more accessible collection is that edited by Finer (1966). Discussions of Pareto's theories are contained in Aron (1968), Bottomore (1966) and Meisel (1965). The discussion of Mosca here is based on The Ruling Class (1938).

Neither body of work has been considered a satisfactory challenge to that of Marx. Mosca can offer no satisfactory explanation of the connections between the economic and the politic, or the process of change from one elite or ruling class to another. Equally as Finer points out (in Pareto (1966)) Pareto's theories are cast at such a level of generality, and yet in terms that are primarily psychological, which make it virtually impossible to furnish evidence to test them.

In neither work is specific attention given to any particular elite, including the one of interest here the business elite. However, in Mosca's work may be seen the precursor to contemporary 'pluralist' theories (e.g., that of Rose (1967)). Mosca's early work, in which he is concerned only to show that democracy is a sham, contrasts in this respect with his last book, The Ruling Class (1938).

In the latter, Mosca once again reiterates that in every society an elite (translated as a ruling class) has power, legitimating itself on the basis of a political formula. Attempts to alter this by attempting to create a socialist society will involve the introduction of a State bureaucracy, and give possession, status and influence to State officials.

The problem then arises for Mosca of how, if elites are always to rule, individual freedom can best be safeguarded. In this respect democratic systems are seen as offering the best hope. The true solution, however, according to Mosca, is for there to be adequate circulation of the non-elite into the elite; and further that amongst the ruling class 'all social forces' should be represented. Finally, those who govern via elected assemblies should be held in check, Mosca suggests, by a group of officials drawn from the middle classes of professional and managerial workers. Thus a group within the elite or potential elite, are singled out as being an educated non-aligned middle class, a notion close to that of Mannheim's free-floating intellectuals (Mannheim, 1960).

In Mosca's theory the idea of elites which compete for power, and which can be a check on one another is stated as a possibility. As we shall see this idea is put forward as though it were an actuality and with specific mention of the business elite in the theory of what Galbraith has called 'countervailing power' (1952), but which is now more usually called pluralism, or in Bachrach's (1969) phrase 'democratic elitism'.

1.8 Three Roles of the Business Elite

Contemporary theorists have drawn on the ideas that have been outlined above, and they have developed, extended and embellished them. They have done so in the light of certain changes and developments in the nature of capitalist societies, most of which began in the nineteenth century but which have been accelerated during the last 70 years.

Amongst these changes, the following may be cited as of prime importance in a consideration of the business elite. Firstly, as capitalism has developed both private and State-owned companies have become very much larger. The percentage of the labour force, the percentage of corporate assets, or the volume of industrial output, that are produced by the largest one hundred, two hundred or five hundred corporations has tended to increase over time.

Secondly, and associated with the increasing size of firms, has been the creation and spread of the joint-stock company Not only is it the case that many firms are no longer controlled by their founders or the descendents of founders, but the stock is often held by a very large number of individuals. This has led to a situation in which many companies can no longer be said to be controlled by a single shareholder, or even a cohesive group of shareholders. Berle and Means (1932) the first to bring this to wide attention, saw such companies as being in the majority, and their control resting with managers. The managers, they thought, might develop goals other than the shareholders' interests, narrowly conceived.

A third change has been in the vastly expanded role of the State; particularly in economic and welfare fields. In most capitalist countries the State now provides a far greater range of services than it ever did in the nineteenth century: it has, either at local or national level, greater responsibility for housing, education, town planning, transportation and health care. It also directly owns and controls utility and other corporations, though the extent of this varies from country to country. And there are changes which are less institutionalised but none the less are common to most Western capitalist countries: in most countries the State plays a greater role in attempting to direct and plan the economy, using statutory and other means.

Along with the other changes the occupational structure of Western countries has changed. The numbers employed in primary and secondary sectors have fallen, those employed in service industries have risen. The increased size of business firms brings a requirement for more people in purely managerial or administrative jobs. There has also been a great increase in the number of people in scientific or technical occupations. The State employs more and more people in an increasing range of capacities.

Two other factors may finally be mentioned though the direction and importance of their effects is less certain. Firstly, the number of people who are members of trades unions has shown some increase, and unionism has begun to take firm hold on groups of white collar workers. And in Britain at least the power of organised labour is often said to be greater than ever before. Secondly, large business firms have become multinational; and the processes which once took place within the boundaries of one country, including capital investment, manufacturing operations and employee promotion, are spread over several.

Whilst most sociologists can agree that most, if not all, of these changes have taken place, they have disagreed greatly about the importance of them for the class and power structures of Western capitalist countries. Divisions between theorists are especially apparent when we consider the position of the business elite, and in this regard we can discern some five variants of theory. Put very simply they are as follows:

a) There is a group of American theorists the best example of whose work is Wright Mills (see Mills, 1956) who maintain that the huge corporations, the vastly expanded State bureaucracy, and the military are all interdependent, a view pithily expressed in the phrase the military-industrial complex. According to Mills, the heads of the organisations that operate in these areas have contact for business purposes, and they gravitate together for social and cultural reasons as well. Personnel move between the three spheres in their occupations. And the process of intermixing, of contact, has become such that a 'power elite' is formed. This elite shares the same beliefs, the same presumptions, about how such diverse areas as business, foreign policy or welfare should be conducted. It should be noted that the power of the power elite is not seen as rooted in private property but of access to institutional position. However, Mills for one makes it clear that the heads of large businesses are rich, and implies that, of the three groups from which the power elite is drawn, businessmen may be the most influential.

b) The reply of the American pluralist school as exemplified by Dahl, Polsby and Rose amongst others lies in counterposing the ideas of the later Mosca to those of early Mosca. They reply that Mills' conception of American society as an elite and a mass ignores the power at national level of certain important groups such as congressmen, and some lobbyists; overstates the importance of national as opposed to local politics; and ignores the very real differences between the three groups which are claimed to compose the power elite. Far from the groups being homogenenous and coordinated they can be seen as sometimes aligned, sometimes opposed, and when they are opposed it is quite likely that the business elite will be the losers.

c) A third body of theory, more prevalent in Europe, may be called the Marxist or European elitist school. Such theorists assert that the changes of the capitalist system do not affect its underlying structure: the class that owns the means of production still rules. The idea that business is controlled by managers is illusory: the managers are still either wealthy in their own right or controlled by those who are. In any case they are subject to the disciplines of the economic system itself. Most Marxist theorists now concede that the State has an autonomous and strong influence, but again they see those in higher positions in the State administration as unable and probably unwilling to take decisions that are unfavourable to the capitalist class. Such theorists (e.g., Miliband, 1969; Westergaard and Resler, 1975) draw attention to the persistence of inequalities of wealth over generations, and in all capitalist countries. While the State personnel change, the wealthy of one generation are very likely to be drawn from the wealthy families of previous ones.

Where theory does not contain a specific Marxist basis it is much less coherent. Those in Britain who have done research on elites have tended to concentrate on their recruitment, and their methods of intergration. Thus much has been done to demonstrate that politicians, civil servants and top directors are likely to have been born into certain kinds of families, be public school educated, to have attended an Oxbridge college, sit together on the same company boards, and spend their time at exclusive social clubs (see Chapter 4 for some of this evidence).

d) Those theories we call managerialist make much of the changes identified by Berle and Means (1932) regarding the control of industry, and indeed Berle is still one of the more prominent of such theorists.

There are several different versions of such theory.[1] Galbraith (1967), for example, sees the modern large technological corporation as becoming uncontrollable: being in a position of oligopoly[2] it is no longer subject to the disciplines of the market, but is run for growth by what Galbraith calls the technostructure - an amalgam of senior managers and technical specialists.

In a more sophisticated version of managerialism, Dahrendorf (1959) bases a new theory of class on the idea that the two basic classes of industrial society are those in authority positions and those who are not. Marx's analysis of nineteenth century capitalism was correct, Dahrendorf believes, in that property owners and non-owners were then synonymous with authority holders and non-holders. However, this should be regarded as a particular case of a general relationship, and the twentieth century has seen the growth of occupational groups who hold authority positions which do not derive from the ownership of capital.

e) A theorist who is usually placed amongst the managerialists is Burnham (1962), whose best known book, The Managerial Revolution, certainly implies adherence to that school, and again draws to some extent on the work of Berle and Means. However, Burnham is really a theorist of the corporate state, and the specific, though badly argued, thesis of his book was

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1 For a discussion of managerialism see Nichols (1969).

2 Baran and Sweezy (1966) see corporations as being in the same position - as being price makers not price takers. They give a Marxist interpretation of this as applied to the United States.

that both Western countries and State socialist ones were drawing closer together and would eventually come to be governed by a managerial class. Burnham extrapolated from the experience of Germany and Italy in the 1930s, and from the New Deal era in the United States to support his premise that ultimately all industry in the United States would be controlled by the State.

Burnham has been strongly criticised, both for the internal logic of his argument and the weak evidence that he puts forward to support it. However, his book retains a certain interest, as in recent years a number of commentators have argued that Britain is becoming a corporatist society. Unfortunately, the term corporatism is used with a variety of meanings. For some who use it it seems to be no more than a way of saying that trade union leaders have too much power. Others have meant a situation in which State officials, in trying to control the economy, bargain and negotiate with the official leaders of business and organised labour, and delegate power to them.

A more rigorous attempt to describe what corporatism means in the British context has been made by Pahl and Winkler (see Winkler, 1976) who describe it as the State, in pursuit of economic success, coming to control (more and more) privately owned industry. This would be something of a reversal of the prevalent view of sociology, which tends to regard private industry as controlling, or at any rate strongly influencing, the State officials.

These different views of modern capitalism all make presumptions about the relationships between the owners of property and the controllers of business firms, between controllers of business firms and controllers of the State, and between these groups and the rest of society. We shall examine some of the evidence in more detail below, because in asking how businessmen perceive their position in class status or power structures, we shall expect at least a partial reflection of their 'objective' position.

In the case of the business elite, however, their 'objective' situation involves much more than the ownership of lack of it of significant amounts of property, or the extent of their marketable skills. It can be suggested on the basis of the foregoing discussion that they can, and may, play three roles (which other groups except certain other elites do not play), which contribute to the maintenance of capitalism in its present form, or equally important, the change and development of the system.

The roles are:

1) An economic role. The prime component of this role is that the business elite are creators and allocators of capital within the private sector of industry and commerce.

2) A role as political influentials. As will be clear from the discussion so far, top businessmen are often seen by sociological theorists as able to influence those who hold power within the State decision making apparatus, even where they do not directly have power themselves.

3) A role as ideologists. To the extent that they have power either within the firm or more widely, and have wealth or status, businessmen can be expected to wish to retain these. There thus grows up a body of specifically business ideology, which has its roots in, and connections with, a more general conservative ideology.

We now turn to a more specific discussion of these three roles.

1.9 The Economic Role of the Business Elite

The first and most important role occupied by the business elite is their economic role. This is the role in which they are occupied for most of their time, primarily in the companies in which they are executive directors, but also when they sit on other boards as non-executive directors, or in some cases where they have sizeable shareholdings without a board place.

The economic role is primarily carried out through the allocation of capital, as part of the long term strategic planning by the board, and the consequent policy decisions that it comes to. This remains true even if we think of the business elite as we do here, primarily as being executive directors. Such directors are also managers, and as managers they fill to some extent all the roles within the firm that Mintzberg[1] ascribes to them. Thus, they have certain purely

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1 Mintzberg (1973) carried out observational studies on five 'chief executives', three of them from business firms, in an attempt to elucidate what managers actually do. He concluded they had ten roles, common to all managers. They are: (a) the interpersonal roles of figurehead, liaison, and leader; (b) the informational roles, as monitor, disseminator within the firm and spokesman; (c) the decisional roles as entrepreneur, disturbance handler, resource allocator and negotiator.

administrative duties, they choose senior managerial personnel, they monitor the performance of such personnel and discipline them, they have public relations functions, and they may have specialist scientific or technical skills on which they call from time to time.

A reading of a number of discussions written over a 30-year period, (Copeland, 1947; Seymour, 1954; Brown and Smith, 1957; Institute of Directors, 1961, 1964, 1968; Mace, 1971; Puckey, 1969; B.I.M., 1972; and Department of Trade and Industry, 1977) reveals a relative consensus on the tasks of the director. They may be summarised as being:

1) To see the company carries on business in accordance with the Memorandum or Articles of Association (in America, the Charter), and to put possible changes in these to the shareholders. And to ensure the long term success of the company which entails:

2) The safeguarding of corporate assets, having regard to changes in the structure of them, and to:

3) Approve important financial decisions and actions, and see that proper annual and interim reports are given to shareholders (in accordance with legal requirements).

4) Select the chief executive, and possibly other executives, and thereby ensure the continuity of management.

5) Audit the performance of management, by receiving and calling for reports on the company, and by questioning the chief executive and other executives at board meetings.

6) Remove the chief executive when his performance is inadequate.

7) Establish the objectives for the corporation, and ensure there are adequate strategies.

8) Establish the basic policies of the corporation.

9) See to the continuity of the Board.[1]

The main board executive director of the large company is of importance in sociological theory because he, above all, carries out functions (7) and (8) above: the establishing of the company objectives, and of strategies to achieve them, and of the policies within which such strategies will be pursued. We shall see that there has been much debate over precisely what sort of objectives the controllers of companies are likely to set for them.

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1 Although Mace (1971, 1972) repeats this theory, he argues that in practice most boards do not perform several of the functions imputed to them. He suggests that they cannot, in practice, perform (7) and (8), as these must be done by full time executives. He sees (5) as generally neglected, and (6) and (9) as mainly done by the chairman or chief executive. His experience suggests that (6) only happens in crisis situations.

At the core of this, the ownership and control debate, we can set out (following Wildsmith, 1973) four propositions that stem from the work of Berle and Means (1932). They are that, as capitalism develops:

a) Economic power in terms of control over assets tends more and more to concentrate in a relatively small number of corporations.

b) As this happens, the assets come under the control of managers who do not themselves own a significant part of the shares.

c) The constraints of the capital market become an increasingly ineffective discipline on the managers.

d) Managers develop goals other than those of profit maximisation.

The first of these propositions is rarely challenged. In the revised edition (1967) of The Modern Corporation and Private Property, Berle and Means produced evidence to show that whereas in 1929 the 100 largest American corporations controlled 44% of net capital assets of all manufacturing firms, in 1962 the figure was 58.4%. Recent work by Prais (1976) provides equivalent evidence for the United Kingdom. In this country the largest 100 enterprises produced some 16% of manufacturing net output in 1909, 22% in 1949, but 41% in 1968. On current trends they could be producing two thirds within ten to 20 years, depending on the type of projection.

The debate over the second of the four propositions has been taken up with some vigour, particularly in the United States. The result has been a whole range of estimates of how many of the largest one hundred, two hundred or more corporations are controlled by managers as opposed to owners.

Berle, in his original work, suggested that an 'owner' should control at least 20% of the shares. On this criterion by 1967 it was found that some 85% of the largest 200 companies were controlled by boards whose members were not owners of the corporation but managers. (see also studies by Gordon, 1961; and Larner, 1966). Yet, as Zeitlin (1974) points out, how many shares the board themselves hold may not be a good guide to the control position: both Rochester (1936) and Lundberg (1946) concluded that many of the managers heading firms that Berle and Means classified as manager controlled were, in fact, installed by owners, even though the latter took no part in running the firms.

As can be seen, the kind of evidence put forward here, and the conclusions, revolve around the question of how much stock is needed to control a company. By using different criteria different researchers come to very different conclusions. Unfortunately it seems that different amounts of stock may be adequate to control corporations in different circumstances. According to Zeitlin (loc. cit.) as little as 5% of the equity may be sufficient in some cases.

The major British study is that of Florence, published in 1961. He used multiple criteria - to be owner controlled a company had:

a) To have a single shareholder with 20% or more of the votes.

or:
b) To be such that the largest 20 shareholders had 30% of the votes.

or:
c) To satisfy (a) or (b) if the shareholders were companies or if individuals were in some way connected.

or:
d) To be one in which the directors had between them more than 5% of the ordinary shares.

Florence's conclusion for 268 companies was that two thirds in 1951 were probably not owner controlled.

The kind of evidence in the above studies depends on knowing how much equity leading institutions and individuals own. This is not always easy, granted the use of 'pyramiding' and nominee shareholders. But the third of Berle and Means' propositions depends on more than the actual owners not being in control positions in the firms or in touch with those who are. It depends also on stock being widely dispersed and the managers being freed from the constraints of the financial markets.

Leaving aside the question of whether managers ever <u>feel</u> themselves to be free of such constraints even if they are objectively, there is still the possibility of informal groupings of shareholders, especially amongst banks and other institutions which may exercise a controlling influence. This possibility led Burch (1972) to adopt an alternative methodology to those outlined above. He searched business and financial journals looking for evidence of control by such groups (called by him interest groups) other than those indicated as controlling in the annual reports. He found that only 40% of firms could be said to be probably under manager control with a further 15% possibly so controlled but probably not. In the remainder of cases, according to Burch, there were reliable indications that individuals or interest groups controlled the firms.

Berle and Means' third proposition is the most crucial for the ownership and control thesis, but the one on which there is least relevant evidence. For it must be pointed out that all the data on the amounts of shares held by individuals and groups only points to the potential for control, either by one group or another. What is lacking is data on the extent to which various groups are either aware of this potential or make use of it.

This is apparent when we come to consider the next type of evidence most frequently introduced into the argument - that of interlocking directorships. Such research is often oriented to the notion, alluded to by Marx, but made much more explicit by Hilferding (1910) that control ultimately passes into the hands of finance capitalists. A recent version of this idea suggests that finance control comes as a stage after a company has passed into managerial control (Francis, 1976).

In principle, finance capitalists are those who have no direct interest in production or in everyday control of it, but who control the means of production simply because they own large amounts of capital, or the institutions that provide such capital. It is a weakness of more recent uses that financial controllers are seen as any high official or board member of a merchant bank, investment house, insurance company or pension fund[1], irrespective of the role that such men play within the institutions, or their own personal relationship to capital.

As De Vroey's (1975) discussion makes clear, Hilferding's main contention was that the growth in size and number, of joint stock companies would lend to a concentration of power into the hands of relatively few big capitalists who would now control larger economic units with a reduced proportion of legal ownership. Hilferding also interpreted the noticeable intertwining of banks and industrial companies as indicating that big capitalists would increasingly be bankers. However, De Vroey, following Lenin, points out that the merger between industrial and financial capital does not have such automatic consequences; and where such a merger occurs, the question of who has the upper hand must be decided in each individual case. This point has often been forgotton in more recent analysis.

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1. The reverse argument carried to extremes is used by Drucker (1976) who argues that since pensions funds now own large amounts of American corporations, and the funds in turn invest money provided by a very large section of society, America now has people's capitalism or control of the means of production by the people.

It is simple enough to demonstrate that the directors of financial institutions are often invited or invite themselves to sit on the Boards of large industrial and other commercial firms. This has been shown for the British case by Stanworth and Giddens (1975) and Whitley (1973), and with respect to the United States, by Fitch and Oppenheimer (1970), Zeitlin (loc. cit.) and Domhoff (1967). The latter concludes from the fact that a majority of directors in industrial firms, banks and insurance companies are (by his definition) upper class, and the presence of corporate interlocking that 'the corporate economy is run by the same group of several thousand men'.

The argument has been developed by Soref (1976) who found that upper class directors were more likely than non-upper class directors to have outside directorships. Within their own firms, however, they were just as likely to be on the executive committee as non-upper class directors. Soref sees his findings as being in accordance with Domhoff's views, but he ignores the fact that amongst his sample there were always more non-upper class directors amongst both executive and non-executive directors. Thus in practice, the non-upper class men could outvote the upper class men both on the board and the executive committee, which leaves Domhoff's case unproven.

A widely quoted paper that makes the case for widespread control by representatives of financial control in Britain is that of Brown (1968). Brown appears to see directors from banking and other institutions as able to control industrial and service firms by voting at board meetings. He distinguishes three types of control family or tycoon control; coordinator control (in effect finance control) and managerial control.

Out of interest we have repeated Brown's analysis for 1976, and we are in a position to point out the problems of this kind of study. Firstly, Brown states that we are to be concerned not with ultimate financial control but with de facto control. This criterion appears to be abandoned in the case of family owners or tycoons who may be in the minority on the boards which they control. However, the real problem is in deciding when a director is also a coordinating controller. Many men who sit on a number of boards came to do so only after they had reached the very top of the company in which they were formerly managers. This may be true also of men who sit on the boards of banks or other financial firms. Should one assume that all coordinator controllers are financial controllers?

In repeating Brown's analysis we treated 'financial control' as a disease - anyone who sits on the board of a financial institution is deemed to have contracted it and thereafter to behave as a profit maximising capitalist would.

Just as Brown did, we examined the top 120 companies in The Times 1,000 list. We separated out those companies where known entrepreneurs were chairman or chief executive, or where members of founding or controlling families were on the board. Then we separated out the subsidiaries of foreign multinationals. Finally, we examined all the men on the remaining company main boards, classifying them as coordinator controllers if they also sat on boards in City firms. Wherever such men were in the majority on the board we classified the firm as coordinator controlled.

The results of our analysis may be shown:

Table 1.1

<table>
<tr><th>Type of Control</th><th>Brown 1966</th><th>Fidler 1976</th></tr>
<tr><td>Family/tycoon</td><td>38</td><td>35</td></tr>
<tr><td>Coordinator</td><td>47</td><td>11</td></tr>
<tr><td>Managerial (British)</td><td rowspan="2">35</td><td>54</td></tr>
<tr><td>Managerial (Overseas)</td><td>20</td></tr>
</table>

As can be seen either our assumption as to who Brown decided was or was not a controller is wrong or the position has changed drastically in ten years. Brown found that in 1966 coordinator controlled boards comprised 47 out of the top 120 company boards. Our analysis for 1976 indicated that just 11 were so controlled whilst managerially controlled firms numbered 74. However, it should be noted that 20 of the latter were controlled from overseas.

A recent and much more complex analysis has been carried out by Nyman and Silberston (1976). After reviewing the evidence of previous studies they suggest that to determine who controls a firm one has to take account not only of shares held by individuals, that is by the directors themselves and outside groups, but also the presence on the board of a member of the founding family, the other directorships of directors, and 'the identities of the chairman and managing director, their career history and the manner by which they came to be appointed'.

They go on from here to an analysis of the control of the top 250 wholly British firms, but they use a more complex classification than those of previous studies. On the basis of this they conclude that approximately 56% of the firms they looked at are still owner controlled.

More direct evidence of the actual processes of control within companies suggests that management may play a very much bigger role than Brown or Nyman and Silberston allow for. Pahl and Winkler (1974) investigated some 19 companies by observing for a full day each of the main board directors. They concluded that control of the firm often did not lie with the board as such but with a cabal or clique. This did not mean that control was located outside the firm, though it might be located within management rather than the board. On the contrary, Pahl and Winkler suggest that the more directorships a man has the more easily he may be manipulated and kept in the dark by other directors. The writings of Mace also suggest that on boards where there are a preponderance of non-executive directors, control may pass to the management (Mace, 1971, 1972).

If Nyman and Silberston are aware of this evidence they ignore it. Yet in view of the small number of examples of outside control that they adduce this point would seem to be a very important one.[1]

Finally, we turn to the fourth of Berle's propositions which suggests that managers will pursue different goals from those of owners. Berle's hope is that they will become responsive to the needs of society, and pursue socially desirable aims, as well as, or instead of, profit.

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1. Nor are their examples convincing. From our own research we would dispute that Debenhams is a good example of the intervention of finance control. Burmah, an example taken from Scott and Hughes (1976) could be said to contradict their point. Burmah was shown to be linked to six institutional holdings, through shareholdings, directorships and management. Amongst such connections one may mention that of Lord Inchcape, a finance capitalist by most criteria. Inchcape, aside from running his own family firm, had shown his willingness to play an interventionist role in the P & O-Bovis affair, in which he first blocked a bid by P & O for Bovis, then became chairman and later carried out the same takeover (see The Sunday Times, Jan. 27th, 1974, P.47). Continued on P. 45.

Even amongst those who accept that ownership has become separated from control there has not been agreement as to the aims which managers will have for the firms they control. It is possible to argue that managers are just as constrained as owners ever were and will pursue profit in a very similar manner; that they will attempt to pursue purely selfish ends, such as higher corporate salaries, increasing the value of their own shareholdings, or increasing the resources they control; and allied with these suggestions that once they have made a minimal profit they will be chiefly interested in the growth of the firm.

Once again, the attempts to test these hypotheses have been mainly of a statistical kind, but the results have not been very revealing. Nyman and Silberston list some nine different American and British studies from which all that emerges consistently is that owner controlled firms have higher rates of profit, (even this is statistically significant in only two cases). One is inclined to wonder also, since no two authors agree on what is and what is not a managerially controlled firm whether such studies can expect to be conclusive.

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1. Footnote continued from Page 44.
Burmah then is financially controlled. Inchcape is the finance capitalist par excellence. Yet this did not prevent Burmah from running into trouble when one of its insider directors bought tankers too heavily. Institutional connections were not much help; Burmah was saved by the shares it had in B.P. which was the price the Government took for keeping it from collapsing. Lord Inchcape's remarks on the affair were revealing. He is reported as stating: "a board of directors can only be as good as the information it receives". This hardly squares with the picture of the interventionist financier (on Burmah: see The Sunday Times, Jan. 5th, 1975, P. 52; Jan. 26th, P. 50; Feb. 23rd, P. 50).

The studies by economists summarised by Nyman and Silberston however tell only part of the story. For it may be that whatever their values owners and managers are constrained by the capital market to pursue the same goals, which would account for the fact that their performance in practice is very similar. However, to establish this we need to examine the values and objectives of the two groups concerned (that is owners and managers), and to show that they do have different objectives.

So far, there is little evidence that they do have. Pahl and Winkler in the study mentioned above state that they repeatedly encountered the concept of the 'professional manager' and directors who embodied and articulated it. They continue however:

> "Their idea of professionalism is not that usually employed by sociologists but more like that of actors, the ability to produce a competent performance in any circumstances no matter how unpromising. The indicators of successful performance are profits, growth and return on investment. The essence of the professional manager is his vigorous and exclusive dedication to hard financial values."

Pahl and Winkler point out that amongst the directors they encountered, both owners and managers expected the professional manager to be more profit conscious. However, it must be noted that not all (or possibly not even a majority) of managers who were encountered were professional in this sense. Elsewhere (1975a) Winkler has stated that directors were often of two kinds: those concerned only with money and making the maximum profit in any given situation and those concerned with the technicalities of their jobs. The latter could include financial specialists who were concerned with creating good management systems, just as much as technical directors or other specialists.

The crux of Pahl and Winkler's argument then is not so much that managers are oriented to financial goals, but that managers oriented to profit, growth and ROI are dominant and becoming more so. However, we must look for evidence from a wider and more representative sample that the 19 companies they were able to research before accepting this point of view.

In fact, ever since Berle's Power Without Property (1959) was published, in which he suggests that managers of firms will develop a corporate conscience, and begin to think of themselves as responsible to the public outside the firm, his ideas have been attacked by those who accept the divorce of ownership from control as real enough but are far from optimistic about the consequences.

Thus, both Mason (1958) and Kaysen (1960) are unhappy with the replacement of competition and the controls afforded by the market place by a reliance on the ethics of managers. Kaysen specifically recommends the break up of large corporations. For, he suggests, when a management with the intention of being socially responsible sets out to balance the interests of the various groups that come within the corporation's sphere of influence, it inevitably does so from within its own conception of what these interests legitimately are. Kaysen questions whether the background and training of business leaders qualifies them to make the kind of judgements that are involved. In any case, he maintains that on some issues business attitudes are not in accordance with what the national interest requires.

Galbraith (1967) also sees the corporation as largely freed from the constraints of the market place. Control of the corporation as he sees it is vested in what he calls the technostructure, which appears to be an amalgam of the middle managers and technical specialists. The technostructure seeks, according to Galbraith, a minimum level of profits, and contiguous with that, the maximum obtainable sales growth and technical virtuosity. To achieve its ends it sets out, not to respond to public taste, but to manipulate the tastes and values of the buying public.

In the United States a number of reports have been produced to show that business <u>has</u> been responsive to social needs. Its efforts in such areas as hiring and training the hardcore unemployed, providing assistance for black businesses, and involvement in urban rehabilitation are cited in this regard (see studies by, amongst others, Flower, Cohn and Austin[1]). Contrary evidence is provided by Crenson's (1971) study in which he sets out to show how in two American cities business interests contrived to prevent air pollution from becoming a political issue. In Britain, Shenfield (1971) has produced a set of case studies, indicating how some company boards perceive and carry out their social responsibility.

Nichols (1969) in his empirical work also took up the question of whether British managers are developing orientations towards social as opposed to purely financial

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1. For references to these and other studies see Taylor and Macmillan (1974).

goals. He studied 65 directors in 15 firms in a northern city. The technique used was a questionnaire in which sets of statements with three alternative answers were presented to those who took part and they were asked to choose between them. This was followed up with an interview.

The forced choice questions had answers in three categories: (1) a 'laissez-faire' set, broadly speaking in line with the goals of profit maximisation in all circumstances and presenting directors as responsible only to shareholders; (2) a set that presented the director as serving the long term interests of the corporation; and, (3) a set that saw a moral responsibility on the director to take account of social needs.

Nichols' finding was that apart from one particular firm where the directors did favour the third category, the social responsibility answers, the largest group of choices was made from the long term company interest answers. But he further found that businessmen had difficulty in distinguishing this set from the third set and often explained the latter in terms of the former (Nichols, pp 179-187). He concluded that probably the majority of businessmen saw no real contradiction in the pursuit of business aims and of social goals.

Nichols' work is an important precursor of the present study; and it returns us once again to the question of managers' values and orientations; and hence to the subject of ideology, which is to be taken up below. However, it is as well to point out that the empirical basis is fairly limited: Nichols draws much of his substantive conclusion to the answers from just four forced choice questions, and on two of the three sets of alternatives many businessmen saw little essential difference. Further, although Nichols achieved a high acceptance rate (only three firms approached would not cooperate) the actual sample is not ideal, consisting as it does of both managers and directors from firms which are either comparatively small in size, or would have been subsidiaries of larger groups. (This is not clear from Nichols' account.)

The issue of social responsibility brings us to a major and largely uninvestigated problem of the ownership and control debate. That is that even if there is a limited move towards more control by managers, and even if we can demonstrate that the behaviour of businessmen is different from what it was in the nineteenth century, or that new ideologies have emerged, it has still to be demonstrated that one is the consequence of the other. We need both inter-firm and cross-cultural studies.

For as Cheit (1964) points out the emergence of an ideology of social responsibility may be simply the response by businessmen to the new social pressures that they find on them, especially if they find that these are not incompatible with the making of good profits. Cheit mentions that business has come, in several countries, to accept governmental planning in economic affairs that once would have been unacceptable. Businessmen also now accord a legitimacy to organised labour that they would once not have done. (See Heilbroner's article in the same collection and section 1.12.2 below.) This too may simply be because they no longer have any choice but to accept it.

Cheit sums this up in the heading of one of his sections: the gospel of social responsibility is important as a conservative response to a changing environment. The title of a recent paper by Bowman (1974) makes a similar point - Some Research on Corporate Responsibility as Coping. Bowman found that social responsibility and profitability are often not alternatives, for in the food industry, which he studied, the successful firms tended to fall around a mean score on a measure of their corporate responsibility activities. Bowman sees the more sensitive and competent managements as not only likely to run more profitable firms, but also to attend to corporate responsibility to a sufficient degree. Thus how much attention a firm gives to social responsibility may have more to do with the competence of its management, than the ownership position of the top directors.

In this context a study by Peterson (1971) is also of some relevance. Peterson attempted to study cross cultural differences between chief executives of business firms by sending questionnaires to over 500 in 42 countries. 177 were returned (31%). Peterson found that in the more industrially advanced countries, that is the United States, Europe and the Commonwealth, the executives regarded themselves as less important in implementing government policy than their Latin American or Asian counterparts. Equally, they were less willing to agree to statements to the effect that owners are more interested in enterprise profits, or that owners are more interested in the social needs of the country, than hired managers. In other words the study produced no evidence that as capitalism develops business leaders become more aware of a split of orientation one way or the other between owners and hired managers.

Thus, the evidence, both econometric and sociological, does not indicate strongly either that a divorce between ownership and control exists or that managers differ in their outlook and attitudes from those of owners of capital. However, it should by now be apparent that there has been a preponderance of studies that rely on statistical evidence, with relatively few that examine the values and attitudes of managers, and almost none that examine those of owners of capital who are actively involved in management. Although this was not initially a prime focus of the study presented here it is one in which the study makes some contribution and these issues are taken up again in Chapter 5.

1.10 Businessmen as Political Influentials

The second important role ascribed to the business elite by theorists is that of influentials in the political process. It is clear that businessmen, whatever their objectives in their business life, will have certain clear aims with respect to the officials who comprise the State elite[1]. They will wish to retain the free enterprise system, and will seek the aid of the State in doing so; they will wish for the most propitious conditions in which to run their particular companies; and, above all, they will seek the maximum autonomy to run such enterprises without government interference or regulation.

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1. In referring to the State we adopt broadly the same conception as Miliband (1969), that is the heads of government, the administration, the military, the police and security forces, some sub-units of central government and some members of the parliamentary assembly. At present, we take the State elite to refer primarily to the higher elected officials and the heads of the civil service. Quite clearly there can be divisions between these two groups, but we ignore these at this stage.

However, it is clear from the five variations of theory that we examined in section 1.8 that there is one major divide amongst theorists who have considered relationships between the State and business under capitalism. The divide is between those who clearly regard the State as biased in favour of the wealthy, or the capital owning or controlling groups, and those who regard it as essentially neutral, with State officials not only able to oppose businessmen, but willing to do so on enough occasions to effectively comprise a countervailing power.

Giddens (1974) has pointed out that there are three aspects of the structure of elites that must be considered in coming to conclusions about the relationships between them. We must consider firstly their recruitment, secondly their integration, both within each elite and between elites; and thirdly we must consider how power is distributed among them.

Unfortunately elite studies, certainly in Britain, have usually gone no further than the first stage. Thus, we have studies of the social and educational background of politicians (Guttsman, 1963), civil servants (Kelsall, 1955; Fry, 1969; and, Chapman, 1970), and of bankers and company directors in a profusion too numerous to mention[1]. Studies that demonstrate ascendancy of the public schools in providing members of the various elites have been made by Boyd (1973) and Glennerster and Pryke (1964).

1. The data from previous studies of the background of businessmen is exhaustively assembled in Chapter 4 where it is more relevant to the argument.

There are far fewer studies that indicate the extent of integration among elites, and those there are unsatisfactory in certain respects. In the previous section we referred to the various studies of interlocking directorships amongst business leaders. These, in a sense, are integrating devices both within, and potentially among different, elites. So, too, is membership of exclusive clubs, which has also been extensively documented. And Lupton and Wilson (1959) demonstrated extensive kinship connections between politicians, civil servants, bankers and industrialists. Yet all such studies, although they demonstrate the potential for integration, do not demonstrate that integration exists in the way that is crucial, that is at the level of shared values and ideas. Whilst it may be correct that attending the same schools does give politicians the same presuppositions as businessmen it does not follow that they will share the same political views. To take one small example: despite all the indications that their background suggests, Chapman (op. cit.) found that the majority of the higher civil servants with which he had contact were inclined to vote Labour.

When we come to the distribution of power in society then we find divisions among writers not only in terms of the conclusions they come to, but also in the kind of evidence they see as admissable. This will become apparent if we briefly consider some of the more important studies in this area.

One of the best known contributions by a Marxist is that of Miliband (1969) whose avowed intention is to provide a Marxist theory of the State. Miliband begins by asserting that the State system (defined as in note 1 on Page 52 is not the total political system, for the latter contains a number of elements that are not in the former but have a major effect on it. Thus, we cannot assume, says Miliband, that the dominant class actually and directly controls the State, and is thus a ruling class.

The argument used to show that it is a ruling class, consists firstly in rejecting the managerialist position. Managers at the top level are not separate from shareholders nor are they autonomous. The arguments here were those raised in 1.9 above: managers are themselves wealthy; and have industrial capital. They are interlocked with financial institutions. They are connected through ties of kinship, experience, and friendship. In any case(and this being so, other arguments appear somewhat superfluous) they are constrained by the system to pursue the creation of surplus value at or close to the maximum possible level. The motivation of individual controllers of industry is therefore irrelevant.

The State elite is not synonymous with the business elite. However, in order to pursue national economic stability and growth, members of it are forced to encourage the pursuit of profit. This, in turn, is reinforced by the shared background, education, cultural milieu and social connections of the two groups.

Routes to elite positions are to a great extent barred to those who would be most likely to effect a change in the system: the working class. If they are to succeed, they themselves must change. And the class opposition of the working class is stifled by the ability of various elites to manipulate communication and to control and make effective use of the media (compare Marx's views stated above).

It may be noted that Miliband's arguments and methodology are not very different from those of many European sociologists who have turned their attention to the study of elites and power. Thus, Duverger, whose experience is primarily of France, offers an analysis of the 'Western system', that is the non-Soviet block European countries and the United States, in which he calls such countries pluto-democracies. (Duverger, 1974). They are formally democratic but power is held partly by the elected government, partly by the owners of capital, both as individuals and the great industrial, commercial and financial firms. So the new oligarchy is not just the owners of capital, but also 'a broader social group comprising technicians, administrators, organisers and middle management'.

In this latter conception Duverger comes close to Galbraith's notion of the technostructure, and he puts the same emphasis on the ability of this group to control markets through the use of advertising and marketing. However, Duverger maintains that Galbraith is wrong to see the technostructure as having taken control from the owners of capital. Rather the owners of capital are better able to control precisely because of their access to and links with the managers and technical specialists. Duverger, however, offers little evidence to back up his conclusions, being concerned, he states, to make a theoretical analysis of the system.

Miliband's evidence primarily rests on the evidence of recruitment of the elites, their opportunities for social interaction, and the persistence of inequalities that benefit them; and it is this kind of evidence we have said that characterises much of British elite studies. Even so, not all Marxists are happy with this kind of analysis and evidence. Poulantzas, for one, has criticised Miliband for using the term elite, and for maintaining in effect that plural elites constitute the ruling class. (Though Miliband would say perhaps that that is not his argument - i.e., to argue that the State elite are connected by education, social mixing and shared values with the ruling class is not to argue that they are merely a component of it - see Miliband, 1970). Poulantzas has been concerned to argue that there is an objective relation between the State and the ruling class and it is these objective relationships we should be studying (Poulantzas, 1968, 1969). Arguments about the extent to which the 'economic elite', or even various types of capitalist, are directly involved or influential are thus irrelevant. Indeed, it is unclear that Poulantzas would see any evidence as admissable, other than historical evidence.

The most important alternative conception to that of Miliband, to stress the concentration rather than the dispersal of power, is that of Wright Mills (1956). The crux of Mills' argument is that the major decisions in the United States rest within three institutional areas: the military; the large corporations; and, the government. Those who hold the highest positions in these fields are thus in positions of power. Mills specifically rejects the notion of a ruling class (and thus implies in his analysis no particular objective relationship between the economy and the polity), in favour of the concept of an elite:

> "The power elite is composed of men whose positions enable them to transcend the ordinary environments of ordinary men and women: they are in positions to make decisions having major consequences. Whether or not they do make such decisions is less important than the fact that they do occupy such pivotal positions: their failure to act, their failure to make decisions, is itself an act that is often of greater consequence than the decisions they do make. For they are in the command posts of the major hierarchies and organisations of modern society."

It might be thought that the first part of Mills' analysis would then consist of showing that the major decisions are taken in the three areas he names, and that such decisions are not taken in other areas. In fact this is difficult to do, and Mills hardly attempts it. He contents himself with saying that the major decisions are those of 'war and peace, boom and slump'. Not only is this itself vague, but Mills' argument requires not only that he demonstrate that the three groups he mentions take such decisions, but also that their failure to take decisions is not due to action by other important groups, or even a lack of <u>anyone</u> to take socially important decisions (as Wolff argues is the case (1968) p. 118).

Mills does not contend that all decisions are taken by the power elite - many of more minor, or purely local, importance are taken at the 'middle levels of power'. But much of Mills' concern is to show that the three elite groupings are not independent of one another, but are largely interlinked and overlapped to give a relatively homogeneous power elite. In this he calls on similar evidence to that employed in European elite studies. The business elite are conceived clearly in this analysis as having a major role in the power structure, and indeed Mills seems at least to suggest that they are the dominant of the three groupings. However, Mills makes no attempt to distinguish the managers and capitalists, for he produces evidence to show that 'the chief executives and the very rich are not two distinct and clearly segregated groups. They are both very much mixed up in the corporate world of property and privilege'. However, as we shall see (Chapter 4) this contention is very much less obviously true in the British case.

The challenge to the work of such theorists as Mills (op. cit.), Hunter (1953 1959), and Domhoff (1967), has come from the pluralist school.[1] Essentially the pluralists maintain that although the United States may not meet the highest tests of a democracy, it is not run either by a cohesive, interconnected elite. Most pluralists would probably see more groups as being of political importance than the three Mills focuses on, but more than this they would see the power of each group as being limited to rather specific areas. Thus, Riesman puts forward the idea of veto groups (1950), and Keller (1963) refers to strategic elites. Some pluralists go further: they would see the different groups as being in competition with one another, and thus no single group being able to gain ultimate control, a view with clear antecedents in Mosca's writings.[2]

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1. The pluralist position has not been well tested for the British case; however, a recent attempt has been made by Hewitt (1974). See also Morriss' criticisms in the same journal, vol. 5, and Hewitt's reply in Vol. 6, 1976.
2. Though in the American case Bentley may be regarded as the 'father' of pluralism - e.g., Bentley (1908).

As important as the pluralists' view of the power structure is their defence of their methodology, and this is of particular importance in the work of Dahl. In his 'Critique of the Ruling Elite Model' (1958), Dahl argues that if a power or ruling elite exists it must be a well defined group; able to get its way on a fair sample of cases of political decisions, in which the preferences of the theoretical elite run counter to those of other groups. Like Mills, Dahl sees it as a distinguishing feature of a powerful group that they take important decisions, and he suggests that a study of power must therefore consist of a direct study of decision taking.

Dahl has put his approach into practice in a study of the city of New Haven. Here he studied decision making (though it should be said, retrospectively) in three areas: public education; urban redevelopment; and, nominations for political parties. He showed that no elite was able to dominate all three areas, except for the very highest elected officials (Dahl, 1961).

Dahl's study of New Haven, however, may be considered in fact as concerned with what Mills would regard as the 'middle levels of power'. An attempt to refute the Mills thesis at the national level has also been made by Rose (1967). His theoretical argument is very similar to that of Dahl: there is no cohesive power elite, and certainly not one dominated by the economic (business) elite. Rather different elites compete for power in different areas. They may form alignments with one another on different issues, but this makes it harder for any one of them to be dominant with the exception of the highest elected officials who are subject in any case to periodic reconsideration by the electorate. Elites organise different publics on different issues; and thus Mills is wrong to refer to the non-elites as 'mass society', for most members of society will find themselves canvassed for support by one elite or another from time to time. Rose is thus one of the few theorists to give weight to public opinion, rather than seeing the public as passive or manipulated by the media.

Rose calls on a broad range of evidence to support his case, including a number of studies of lobbying at the national and local level. However, he does see the economic elite as an extremely influential one, though he points to a number of enduring divisions within it - for example - the division between the representatives of small businesses and the heads of larger companies.

A further point made by Rose is that the business elite can misunderstand what their true interests are just as much as the working class or other groups in the population can. He points to the position taken by business on a whole series of legislative proposals which he maintains were, in fact, not in accord with their true interests.

The point is clearly valid, but in a sense his methodology is attuned to the results he wishes to find. He examines in detail two issues in the course of the book, the first Kennedy's action to prevent price rises by the steel companies, the second legislation to provide medical care for the elderly. Whilst one can accept the first example, on the second issue, and most other areas mentioned by Rose, one is inclined to wonder whether he has properly taken account of likely responses to proposed legislation. Most of the issues he mentions were welfare proposals of some kind. Some businessmen opposed them and their opposition was unsuccessful. But it may be that many businessmen supported them, although not finding it necessary to take political action, or give public support to them. Thus, the business opposition may not have been typical of business feeling generally.

A better test of business strength in the political process would be the outcome of issues in which business interests were directly threatened. With the possible exception of the activities of the Anti-Trust Division of the U.S. Department of Justice, it is difficult to think of any such legislation or action by competing elites which seriously threatened the position of the United States' business elite, certainly in the period from which Rose draws his examples. (As we noted at the start of this chapter in the period of this study, government in the U.K. was intending to have a real effect on the business elite.) Considerations such as these raise the question of how power is to be conceptualised and studied.

The problems of conceptualising power have been well brought out in a recent work by Lukes (1974), who considers three approaches to power that of Dahl and other pluralists, Bachrach and Baratz and a third approach which Lukes himself proposes. Dahl's definition of power, drawn from Weber, sees person or group A as having power over person or group B, if A can get his or their way in the face of opposition from persons of groups B. As a consequence of this conceptualisation Dahl is drawn to consider a power relationship as existing only when a conflict of interests can be demonstrated. Dahl is led to study decision making, because when decisions are taken rival groups compete to affect the outcomes, and the conflict of interest is clear.

As Bachrach and Baratz point out (1962, 1963) the problem of this conception in practice is that groups with an interest in, or a grievance over, the topic on which a decision is being taken must be represented in the political process before the conflict which their particular interest creates can be apparent to the political scientist studying the process from Dahl's perspective. However, it is arguable that much disaffection with the political process arises because certain groups are cut off from access to the decision making process and thus have no chance to air their grievances, (the position of coloured people or the urban poor in either Britain or the United States are perhaps good examples). As Bachrach and Baratz put it:

> " . . . power is also exercised when A devotes his energies to creating or refining social and political values and institutional policies that limit the scope of the political process to public consideration of only those issues which are comparatively inocuous to A."

Bachrach and Baratz then go on to propose that we should also study the process of non-decision making, that is the process in which certain issues are prevented from being considered by elites as issues on which they must take decisions.

Lukes attempts to take the argument a stage further, and offers what he calls a radical view of power. As Lukes defines power, a power relation exists whenever A can affect B in a manner in accordance with A's interest and contrary to B's real interest. B's real interest is seen as being what B would choose were he able to make a free choice unaffected by A.

It is clear what lies behind Lukes' conception: there are groups which benefit from the institutional arrangements of society, and others which do not, and the ability of some groups to go on benefitting does not depend only on their ability to prevent certain issues entering the decision taking arena, but on their ability to maintain the whole system (more particularly the capitalist system). What Lukes is raising in a more general way is the problem of false consciousness. As we shall see this is problematic in a number of ways, the most obvious being what Lukes calls deciding on the relevant counterfactual, that is deciding what a person's 'real' interests are. Even the relatively simple example quoted by Lukes, Crenson's (1971) study of the politics of air pollution, in fact, turns out to be more complex, since the counterfactual is not, as Lukes maintains, do people wish to be poisoned, but how much poisoning is acceptable, granted certain economic costs are involved in removing air pollution.

Lukes' formulation suggests that those who have the ability to manipulate cultural symbols, to use ideology, to maintain the status quo should also be considered as having power. We ourselves however prefer to maintain the definitions of power and influence used by Bachrach and Baratz. (That is that a power relationship exists between A and B if there is a conflict of interests or values between A and B, and B complies with A's wishes because of sanctions which A has or is thought to have. Influence exists when B complies with A's wishes in the absence of sanctions.) Whilst Lukes' definition of power works well enough in the particular case, such as the case of air pollution cited above, it is not clear that such a case is distinct from the perspective of Bachrach and Baratz or could not be dealt with adequately within that framework.

But when one comes to apply the perspective of Lukes to the continuing relationship between classes or groups then it becomes highly problematic. For example, businessmen may benefit from conservative ideologies, and from people's natural conservatism, and from ideologies they themselves create, and it is not at all easy to sort out which accounts for the continuance of the arrangements which keep them in power. Nor is it true that there are not counter ideologies, and therefore it is not clear whether they are in positions of power according to Lukes scheme (because they have persuaded others against their true interests) or authority or mutual influence (because others actually know what their true interests are). These are, of course, major problems in the study of ideology and it is to this role of the business elite that we now turn.

1.11 The Businessmen as Ideologist

1.11.1 The Concept of Ideology

The third role of theoretical importance played by the businessman is that of creator and sustainer of ideology. Some sociological writings put a lot of emphasis on this role, if only because they point out that control of the media, and its content, is to a large extent in the hands of businessmen, though this, of course, varies from country to country.

However, one must point out that if by ideology we mean no more than the set of related, beliefs and attitudes characteristic of a group or community, then businessmen may be expected to play no greater role in the creation of ideologies than other occupational groups, and that there are groups such as academics, politicians and journalists who are by and large more important in this respect.

In the ensuing discussion it will be seen that how one conceptualises ideology, and its role, depends very much on one's sociological viewpoint more generally. And one must make a distinction between purely business ideologies, what are often called ideologies of management, and capitalist ideology more generally. It may be that managerial ideology is innovatory - calling for technical change, for new production systems, or even new inter-group relationships within the firm - but from a perspective that is more generally conservative.

It is perhaps worth giving some consideration to the various conceptions of ideology and its function before turning to the particular case of business ideology. Naturally, we cannot offer in the limited space available a full discussion of a topic on which other authors (on which we depend here strongly) have treated at much greater length, but since the literature of business ideology will demonstrate the problems that the concept creates these preliminaries will hopefully prove worthwhile.

Though the term ideology had previously been used in France (see Mannheim, 1960), it was Marx and Engels' use of the concept which brought it into prominence in social theory. Marx and Engels applied the term ideology to systems of thought which are determined by some conditions outside of them, and which are not themselves ingredients of consciousness. Thus, in a number of contexts, Marx uses the term ideology to refer to social theories or thought developed in accordance with bourgeois political economy. In this sense, his use of the word is condemnatory. For, as Marx saw it, the bourgeoisie could not fully understand the contradictions inherent in capitalism, and, partly because it was not in their immediate interest to do so, could not understand how their own social consciousness was determined by their own (material) situation.

As Marx recognised, the bourgeoisie will not wish the revolutionary consciousness of the proletariat to be developed. And the development is hindered because in the phrase quoted earlier 'the ruling ideas of every age are the ideas of the ruling class'. In this formulation Marx gives an active part to ideology in cementing together, albeit temporarily, capitalist society. Yet within the Marxist schema the statement is capable of two rather different interpretations. Since Marx believes that it is primarily changes in the economic substructure - the relationships of production - that determine change in the superstructure, it could be argued that ideas concerning social reality are primarily though not completely so determined. Since men fail to see the arbitrary and irrational nature of social relationships, they accept what exists and explain social reality as though it has to be the way it is. Such ideas are thus 'of the ruling class' in the sense that they maintain that class.

An alternative viewpoint gives the ruling class a more active role. It could be argued that from the universe of ideas and beliefs some conducive to their position, some unconducive, some irrelevant, they or their spokesmen, and thinkers in accordance with their values, deliberately select those protective of their position. By virtue of their ability to publicise, utilise, and impose these ideas they ensure that these beliefs are accepted by other classes.

This problem, the problem of how ideologies arise, is exactly that posed by Weber's writings on the Protestant Ethic (1930). In considering the rise of capitalism, Weber sees both a certain technological development as necessary, but also points to the changes in values associated with it. In particular, he suggested that the values of the Protestant (Calvanist) form of Christianity, current prior to the emergence of capitalism were conductive to the values of rationality, discipline and utility that capitalism demands. (see also Birnbaum, 1953).

Without taking any set position in the debate over religion and the rise of capitalism, one can see that the interplay between ideas and institutions is potentially very complex. On the one hand Marx (and Engels) appear to take the position that relations of production determine ideas, though they lack a social psychological theory that adequately explains the relationship between the two. Weber's position suggests that some sets of beliefs or ideas have a relatively autonomous existence, and can have an influence on institutions. Scheler, in turn, suggested an interaction between the two spheres: existential factors do not 'create' ideas, but they do hinder or quicken the extent to which ideas are adopted, advanced or developed (see Merton, 1957, ch. xii and xiii).

Yet the problem of the source and independence of ideologies is not only the one that the concept raises. In Marx's writing ideological thought is specifically contrasted to that of scientific Marxism. This creates an obvious difficulty: how are we to know when a theory, or a body of writing, is or is not scientific?

Historically, there have been a number of approaches to the problem. Lukacs (1971) directly following Marx, saw the proletariat alone as able to understand and comprehend true reality. This is because the proletariat is the rising class, the class which will put into effect revolutionary Marxism. Thus, although it is ultimately in the interest of all that capitalism should be overthrown by revolution, only the proletariat are able to come to consciousness of this. If the proletariat do not then they have a 'false consciousness'.

Lukacs' writings have not been considered satisfactory by Marxist theorists however. For one thing he seems to take the view that the revolution depends only on the coming to consciousness of the proletariat, and ignores the other changes, economic and political which Marx saw as leading to revolution. And he ignores the question of how ideas (even those of Marxism) come to the proletariat: how do they break out of false consciousness if ideas are not brought in from outside (say, by a revolutionary party)? And as a further problem, one might ask <u>why</u> the bourgeoisie, generally better educated and placed for study, are unable to develop an understanding of the alienating effect of capitalism.

Mannheim (1960) is his development of a sociology of knowledge, also faces the same difficulty. For Mannheim, all thought (apart from logic and mathematics) is culture-relative. We recognise too that groups within cultures hold values and beliefs that arise from their own social circumstances. How then is the scientist, especially the social scientist, to free himself from his own values? In other words how can we study beliefs of groups within our society, and consider them as ideological, on the basis of the values implicit in them, except from our own value-laden standpoint?

Mannheim himself comes to no single satisfactory solution to the problem. At one point he puts his trust in the 'free floating intellectuals', men who have no class or similar attachment other than to their position as scholars. At other times, however, he seems to feel that through the process of criticism, discussion and re-evaluation, we gradually advance to better social theories. This latter position has been characterised by Bottomore (1956) as suggesting that the latest theory is the best.

In contrast to Mannheim, Parsons (1967) has no doubt as what ideological thought should be compared with. Ideology is to be measured against social science, which is assumed to meet the necessary standards of objective, value-free, knowledge. This position, however, would appear to readopt the condemnatory aspect of ideology which Mannheim was anxious to remove. In any case, although as Geertz (1964) points out, it is one of the tasks of social science to test ideological statements, particularly statements of fact, there seems no reason to accept the results as necessarily value free, or objective, though we strive to make them so.

Another test of whether or not the thinking of a group is ideological is the purpose that may be discerned in it. Thus, Plamenatz (1970) states that for beliefs to be ideological, they must be shared by a group, concern matters important to the group, and be in some way functional to it. In practice they must serve to hold it together, or to justify the activities of the members. Clearly, <u>true</u> beliefs can be functional in these ways. Likewise Harris (1968) comes to define ideology as 'the language of the purposes of a social group'.

The concept of ideology has also come to play a key role in the theories of Althusser, and these in turn involve another solution to the epistemological problems of the concept. In Althusser's earlier works (1969, 1970) a specific distinction is drawn once again between ideology and Marxist historical science, the difference in this case being that Althusser sees not the whole of Marx's theoretical writings, but only those dating from the 'epistemological break' (c.1845) as being scientific.

Althusser's earlier statements as to what makes a theory scientific are both obscure, and ultimately unsatisfactory. He rejects all attempts to consider the scientificity of theories in terms external to themselves. His own assertion of the scientific nature of Marx's works is based on what he calls a 'symptomatic' reading of them, which in turn is made possible by the principles demonstrated by the works themselves. (A circularity which he has himself noted.) Key aspects of a scientific theory to Althusser appear to be that it is open, and capable of development and restatement, whereas an ideological theory poses the questions it wishes to answer in such a way as to arrive at predetermined answers, and is therefore closed and sterile. (For a critique of these theories, see Kolakowski, 1971 and Callinicos, 1976).

In more recent work (Althusser, 1971) however he has developed his theory of ideology to give it a specific role in relation to the state and to the reproduction of relations of production. Althusser does not see ideology as a false representation of the real, that is of real social relationships (i.e., as false consciousness). Rather in his conceptualisation, it appears to refer to the position of the subject in imaginary relationships. Ideology has the function of adapting the individual to his place in society, and, thus, Althusser's perspective is distinctive among Marxists in seeing ideology, as he uses the term, as necessary to communist societies as well as to capitalist ones.

Althusser rejects the legal form of the State as the basis for analysis of it. The State is rather defined by its function which is the reproduction of class society. In this Althusser follows Gramsci, and he does so also in his stress on the importance of ideology. Using his terminology there are Repressive State Apparatuses (presumably the police, military, etc.) which are centralised, unified, and organised; and Ideological State Apparatuses which are multiple, distinct and relatively autonomous. (The latter including the churches, schools, and universities, etc.)

A full critique of Althusser's work is beyond the scope of this study. As can be seen it points us in a different direction from that of this present study, for in Althusser's conception all institutions which have a socialising effect, and which are correspondingly functional for the maintenance of capitalism are ideological, and are part of the State apparatus. Such a view can only follow from a prior view of the nature of the system as a whole, which, of course, is provided for Althusser by the writings of Marx.

However, even from the Marxist perspective, Althusser's solution to the epistemological problem of ideology is not entirely satisfactory, bringing with it as it does the consequence that the coming of a classless society will not mean the end of ideology.

His approach does however orient us to certain other difficulties in the usual concept of ideology derived from Marx's work. Firstly, as was mentioned above, Marx and Engels' conception of ideology makes no mention of the social-psychological effects of ideologies. If, as the notion of false consciousness implies, the capitalist system inevitably appears to those who live within it in a mystified form, one is led to ask why this should be so. What, in psychological terms makes it inevitable that those who espouse ideologies should come to espouse those which mask the nature of the system? And what of the mass of the people who do not benefit from believing the ideology: what does ideology do for them?

The contrast between the nature, and the need, for ideologies to those who espouse then as opposed to those who receive them, brings us also to a division within the study of ideology. As Merton (op.cit.) points out there have been two rather different traditions within the sociology of knowledge, which Merton identifies as the American and the European tradition. The former has developed extensive methodologies for studying values, beliefs and attitudes amongst mass publics, though rarely relating them to existential or historical factors. European writers by contrast have often tended to take as data the evidence of a few documents, or some selected thinkers, and have been mainly interested in examining the emergence of ideas over long periods of history, and relating these to social conditions in a general way.

1.12.2 Business Ideology

These problems of conceptualisation and theory are readily apparent when we turn to consider the studies which have been made both in Britain and America of business ideology. We may take as a familiar contrast here the work by Bendix (1956) which falls very much within the European tradition, and that of Sutton and co-workers (1956). Bendix is concerned with 'ideologies of management' which he defines as 'all ideas espoused by those who exercise authority in economic enterprises, and which seek to justify and explain that authority'.

Bendix's canvas is huge: he considers three societies, England during the period of industrialisation, America in the late nineteenth and early twentieth centuries, and Russia, prior to and immediately after the revolution. In each case he is concerned to relate the content of the ideologies to the existing institutional framework. In doing so, Bendix tends to take as the source of his data the writings of philosophers and thinkers on industry and management as well as the books and statements of entrepreneurs and businessmen themselves.

Inherent in Bendix's definition of ideology, and apparent in his discussion, is a conceptualisation, drawn from the Marx/Mannheim position, that sees ideologies as primarily serving the interests of those on whose behalf they are propagated; as he puts it they serve to justify their activities. An entirely different theoretical and methodological approach underscores the treatment of ideology by the authors of the American Business Creed.

These authors define ideology in a rather similar way to Bendix; it is 'a system of beliefs publicly expressed and designed to influence the sentiments and actions of others'. They draw for their analysis on businessmen's writings and speeches, but also on advertisements, magazine articles, and books not written by businessmen themselves at all. The explanation of ideology given by these authors is quite different. For them it is a response by the business community to the patterned role strains inherent in the role of the businessman. In other words, the ideology has a psychological base, and a major part of its function is to reassure the businessmen as well as persuading others.

Other American studies use similar sources - businessmen's speeches or statements in the annual report (Christ, 1970; Lentz and Tschirigi, 1963; Seider, 1974). In one such work, Krooss declares that if ideology is the beliefs or thinking characteristic of a group then there is no such thing as business ideology (Krooss, 1974). Later, in the same book, Krooss does state that there are certain central beliefs which all businessmen share, and one may feel that in his reference to ideology he has concentrated on short term differences between businessmen and ignored the underlying convergence.

There are objections to both the 'interest' theory of ideology, and Sutton et al's role strain theory. Of the latter, Samuelson (in Cheit (ed), 1969) has suggested that the authors, perhaps because they themselves would find it unpleasant, exaggerate the strains experienced by men who occupy the business role. Further, Sutton et al dismiss the interest theory too lightly: at the very least businessmen are unlikely to say anything that is actually contrary to their interests. And a major problem of Sutton's methodology is that of a multitude of statements taken as representative of the business creed, many were not made by businessmen themselves and we have the problem of one person making ideological statements to cope with the role strain felt by another.

We ourselves accept these criticisms and prefer to associate the term ideology with those groups of beliefs, attitudes and values expressed on behalf of groups with interests to defend. The primary role of ideology must be to convince others of the legitimacy of the interests being defended. As a secondary function they may serve as a comfort to group members.

Clearly, one may criticise the interest theory when casually applied. To say that men have interests and then either because they are extremely calculating and rational or by some other unspecified process, ideas appear with which they defend these interests is oversimplistic. (The studies by Seider and Christ cited are inadequate in this respect.) Also there is often a problem of knowing just what is ideological - Child (1969) in considering British management thinkers points out that their writings were often mixtures of purely technical and legitimatory ideas and that it is often difficult to separate the two. Geertz goes so far in his critique of studies of ideology as to suggest that they lack 'even a rudimentary conception of symbol formation'. (A criticism we would reject in the case of Bendix.)

One further general point of importance must be made. Both Bendix and Child stress that practioners of management may not necessarily have accepted the ideologies put forward on their behalf. As Bendix puts it their reactions to such ideologies may vary from whole hearted belief in them through cynical utilisation to unthinking acceptance.

We may suggest then an important distinction which must be made between what Converse (1964) calls 'belief systems' (or in Parkin's (1971) terminology meaning systems) and ideologies. We can call the collection of beliefs, values and attitudes held by an individual his meaning system (though we must recognise that at the individual level beliefs and attitudes are highly fluid); and because within certain groups there is a tendency for some sets of beliefs, attitudes and values to be patterned we can refer to the belief system, or the meaning system of the group. In contrast we suggest that the term ideology should be confined to statements made by spokesmen on behalf of the group in question. To reiterate ideologies are publicly expressed beliefs put forward on behalf of groups which have or to seek to have, power or social position, and which are aimed at justifying that power or position.

Thus, we do not regard the study presented here as a study of ideology, but of the meaning systems of top businessmen. Clearly, in that some businessmen are accepted writers or spokesmen, their meaning systems serve as part of business ideology. Such a conception is compatible at least with Bendix's view of business ideology. For he insists that ideology cannot be studied by questionnaire or other attitude methods. Such methods may tap the attitudes of business practioners, but these in themselves do not constitute an ideology.

Likewise, we do not regard the study by Nichols (1969) referred to in section 1.9 as a study of ideology. Rather it is a study of managers' attitudes and values (and no less valuable for that). And further consideration of the methodology of the study reinforces the point. For the men in the study did not project an ideology of 'long term company interest' or any other point of view. It was Nichols himself, albeit on the basis of sound observation of what values and attitudes are implied by business ideology, who created the statements: the businessmen themselves merely indicated the extent of their adherence to them. The fact that they could not readily distinguish two of them indicates that they had no need to do so for their pragmatic purposes.

Certain consequences may be suggested on the basis of the conception put forward here. Firstly there is something of a dialectical relationship between the common elements, or the shared meaning systems of a group, and the ideologies expressed on its behalf. The two can be out of step, but they cannot be too far out. Spokesmen of a group will constantly reformulate its ideology; but because this does have a psychological function for the group it must be rooted in the group's meaning systems.

This does not mean that spokesmen must say at all times what a group thinks. Ideologists may be the leaders of group thought as Child (op.cit.) showed. Equally, sometimes a spokesman for a group must not state too plainly what a group thinks. Witness, for example, the ire aroused by Campbel Adamson, director-general of the CBI, for saying publicly what many people had been saying privately about the Tory Industrial Relations Act (see Grant and March, 1977, p. 89).

1.11.2 Some Themes of Business Ideology

Fortunately there is less dispute over the content of business ideology than over the problems of its conception. We must say in advance here that much of the literature in this area is American, and it is quite possible that the statements and beliefs of American business spokesmen differ in style, tone and content from those of their British counterparts.

Certainly a comparative analysis of the two would be instructive. Clearly, American business operates, and perhaps always has in a different climate. It has not had to contend with a socialist movement of any significance, not as the labour movement there had political aims. At the risk of generalising too far, one may also say that Britain's wealth and power was originally based on trade and conquest, whereas that of America has always been based on the exploitation of natural resources, and industry. Thus, the businessman in America has a higher prestige, and far higher rewards that those in equivalent positions in Britain.

However, it is not clear what effect such differences have had on business ideology. Certainly some trends of ideology and managerial thinking in one country do tend to be mirrored in the other. Similarity of language and a conscious desire to emulate good practice, particularly on the British side, reinforces the extent of this. For example, Child (op.cit.) shows that British management thinkers had already come up with many of the ideas of the human relations movement in the 1920s, although it was the 1940s before the ideas and writings of Elton Mayo were imported into Britain. Mayo's writings then gave human relations an additional thrust. It is likely that the same is true of the more recent doctrine of social responsibility.

We start our consideration of the content of business ideology with Bendix's study of the prevailing ideologies during industrialisation of two Western nations, and Russia. In his analysis Bendix is, of course, concerned to show how different types of ideological appeal were made by entrepreneurs, particularly in Russia as compared to Britain or the United States, and to relate these to differing social structures. For example, Bendix indicates that the central government played a highly interventionist role in industrialisation in Russia; that both landowners and employees took their power ultimately from the Tsar, and that equally the peasants were inclined to turn to the Tsar for protection. This necessitated a different kind of ideology from that employed in Britain where industrialisation came earlier, and was more free from government intervention. According to Bendix, in post-revolutionary Russia, the principle that government regulated relationships between social groups or classes was maintained and was a continuation of the Russian tradition.

Of more direct interest for our purposes is Bendix's analysis of the course of British and American ideology, even though this stops short of the present day. He indicates the existence of two themes of business ideology, the first associated with the earlier entrepreneurs, the other with the larger bureaucratised enterprises that developed later.

In summary: the entrepreneurial ideology was itself a break with an earlier tradition. It held that all individuals in society must depend only on themselves, and that the higher classes are not, and cannot be, responsible for ensuring employment, or the relief of the poor. Such views found their apotheosis in the 'social Darwinism' of Spencer, which had wide circulation in the United States in the late nineteenth century.

As industrialisation progressed, and small enterprices developed into mature firms, the ideology began to change. The managers themselves became more interested in the attitudes and psychology of the worker. As firms grew increasingly larger, and became more bureaucratised, an emphasis on teamwork and collectivety as opposed to competition developed. There was less stress on individual leadership and more on individual adaptability and style. This shift of values has also been remarked on by Whyte (1957) and Riesman (op.cit.).

It is to be emphasised that these changes are never complete, nor are they the result of a change from owner to managerial control. Old values often co-exist alongside new ones, and reassert themselves (Child also remarks on this).

The authors of the American Business Creed also point to the presence of a duality of themes within business ideology. On the one hand there is the 'classical' creed, which sees devotion by businessmen to profits as necessary for social welfare; that emphasises that the businessman is subject to the laws of the market and directs him to attend only to the interests of the shareholder. This ideology relieves the businessman of responsibility to others, by emphasising that all men must be self-reliant if they are to fulfil their obligations to one another.

The alternative is the managerial ideology. Here the businessman is presented as a professional, who is not guided solely or even principally by a desire to make profits. The businessman has moral claims on him, amongst them, ensuring satisfactory working relationships amongst those who work with or for him. As Sutton et al put it in a statement of this ideology:

> "These are, in truth, moral responsibilities which is your duty to assume. You, the manager of a business, are responsible to your stockholders, your employees, your customers, and the general public. You must balance their competing claims on the fruits of the enterprise, and determine fair wages, fair prices, fair dividends and prudent reserves." (Cf. the statements in 5.2 below).

Other writers too have noted the co-existence of the two themes. Monsen (1960) points to the existence of six variants of American capitalist ideology. These, Samuelson (loc.cit.) maintains come down to the two basic ones of old style profit maximising capitalism operating in competitive markets, and managerial capitalism, in which the corporation is responsive to the interests of all parties it deals with.

Seider (1974) also distinguishes classical ideology from the trusteeship role in which the manager balances the interests of all those connected with the enterprise. He found two further important ideological themes - one of nationalism stressing the importance of working together for the national good; the other specifically spelling out the place of business in promoting social welfare projects.

Perhaps the most incisive discussion of the ideology of modern day business spokesmen is that made by Heilbroner (in Cheit (ed), 1964). He uses as source material a series of lectures given by six leading American businessmen and subsequently published. Heilbroner points out not only the contrasts in content between the ideology of contemporary businessmen and their forebears but also in style. For where the nineteenth century captain of industry was secure, self-confident, and self-righteous, his latter day counterpart is quiet, apologetic and thoughtful.

Once again, however, the contrast is made between classical and managerial thought; but Heilbroner points out that it is also specifically drawn by the spokesmen themselves. They contrast the old exploitative capitalism and the new socially aware responsible capitalism. The hallmark of the new capitalism is the professional responsibility exercised by those charged with power in business.

There is too an acceptance and statement of the need for large scale organisation, but equally a stress on human values. Thus, much mention is made of employee relations, which has its echoes in the human relations movement. Finally, Heilbroner points to a contrast between modern businessmen and those of the past which is often overlooked: a new legitimacy is accorded to both government and organised labour. Yet, says Heilbroner, though the tone is reasonable, on reading the businessmen's statements there is no doubt that they are ideological; and he analyses the assumptions built into them.

Rather less work has been done on business ideology in Britain. Child's work in this field has already been referred to; but the body of thought Child is concerned with is only partly ideological. It traces the evolution of similar themes to those already mentioned. The work by McGivering, Matthews and Scott (1960) has a section on ideology but has the drawback that it bases it predominantly on the work of one author. As has been mentioned, Nichols (op.cit.) contrasts the various themes of ideology, but studies them in the thinking of practitioners.

A contrast that has not been made so far is that made by Fox (1966). Fox refers to two contrasting ideologies with respect to workplace industrial relations. In fact, these are not ideologies in the sense to which we wish to confine the term ideology, rather they are contrasting patterns of managerial attitude. (Indeed, from our perspective, Fox is the ideologist of pluralism in industrial relations; however, he has since become the critic of it as well - see Fox, 1973, 1974.) However Fox's is one of the few statements about the attitudes of top managers to industrial relations and thus it is of importance to this study.

Fox contrasts what he calls the unitary and pluralist views of the firm. The unitary view sees the logic of the enterprise as pointing towards a unified authority and loyalty structure, with managerial perogative being legitimised by all participants. From this viewpoint workers behaviour in opposing management is seen as illogical or against their own interests. Unions are likewise regarded as a historical carryover, the outcome of sectional greed, or as vehicles for those who seek to subvert the existing social order.

Fox's contrast is the pluralist view of the organisation, a conception apparently taken from Cyert and March (1963). In this, the organisation is viewed as a coalition of bargaining groups, a complex of tensions and claims which have to be managed so that everybody can pursue their own individual or group aspirations. Trades unions are accepted by pluralists as legitimate expressions of challenge to management rule.

Fox has been both advocate and critic of the pluralist perspective. In his 1973 paper he criticises it in terms that echo Heilbroner's dissection of American business ideology. The pluralist perspective, says Fox, represents a kind of Parsonian compromise. Collective bargaining can take place between parties in the business enterprise because each group recognises the other's aspirations as valid, and both sides limit their claims. Pluralism presupposes a nucleus of shared values and norms about the aims and place of the enterprise, but serves to screen the actual disparities of power that exist between management and labour. It is in fact the high point of enlightened managerialism, serving managerial interests and goals.

In very broad outline, then, these are some of the themes of business ideology. When we come to discuss the statements that businessmen made in private discussion we shall see the recurrence of some of these themes, the absence of others, but more usually the adaptation of them to cope with the current situation in which businessmen see themselves.

1.12 Some Preliminaries to Research

In this chapter we have discussed three roles of the business elite as these appear in the light of sociological theory. In discussing how businessmen are likely to perceive their position within society, and in researching on them, we must take account of the fact that they play these roles. In the next chapter, however, we will see that, in asking what factors shape businessmen's views of class, or power, we have to consider a whole range of primary social relationships - relationships formed in the home, at work, and in the community, over a long and changing career.

Before turning to consider these, we may remark that although our consideration of the sociological literature on businessmen is comprehensive in its coverage of the main debates that surround them, it by no means exhausts the literature on business, businessmen, directors, executives, top management, and so on. There is an extensive literature, both academic and populist, which has not been mentioned.

There can be no doubt that the upper echelons of corporate life have a certain mystique, and this has invited the writing of books that offer advice to those climbing corporate heirarchies, or speculate on what happens there. Some of these (e.g., Packard, 1963) draw more or less straightforwardly on social science or management research. Others are more fanciful, looking for insights into corporate life in the writings of Machiavelli (Jay, 1967); or some dubious uses of anthropology in which the executive becomes the 'company savage' (Page, 1972) or again by reference to the 'new biology' (Jay, 1972).

We take the view that much of this literature is not useful to the serious study of the business elite (though it may be to those studying ideology). This is not because these works contain no interesting or valuable insights, although it is true that a number of them draw their conclusions on rather slender evidence. However, we would maintain that if the business elite are to be properly studied, then it is necessary to focus specifically on them, and to be aware of the major divisions both within the business elite and between them and other groups.

We maintain that it is necessary:

a) To study members of the main boards of companies, and perferably those who are known to take resource allocation decisions.

b) To study the heads of sufficiently large firms. The multinational, divisionalised conglomerate is not the small firm writ large.

c) To distinguish within the business elite between entrepreneurs who begin companies, the families which inherit them, and the managers who may later come to run them. It is necessary also to distinguish between firms in the finance sector and those in manufacturing or service industries. (And further distinctions between sectors within manufacturing may be relevant.)

The failure to make these distinctions adequately in many studies at their outset, leads one to doubt the relevance of much of the evidence that is presented, and indeed serves often to conceal the fact that much of the relevant evidence is lacking. Thus, in a work written some time ago, Lewis and Stewart (1958) state firmly that though they divide the businessman from the manager they refuse to divide big businessmen from small, nor do they draw the distinctions among businessmen in terms of ownership position made here.[1] They refer often to the lack of evidence on businessmen, and in its absence they are forced to make use of newspaper and magazine articles, business history and a small number of studies of managers' and directors' backgrounds. In a study written 16 years later, Jervis (1974) refers equally vaguely to 'bosses', and draws largely on the same sources.

The previous discussion in this chapter should have made clear the importance of the distinctions made above; but they are of more than theoretical importance. There are enough empirical studies to show the necessity of drawing them.

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1. We mean to imply no criticism here of works by Rosemary Stewart published since The Boss, which have begun to fill some of the gaps in our knowledge which were noted in that book, see, e.g., Stewart (1967, 1976).

To take the first proposition - that it is essential to study main board directors rather than managers lower down in the firm. We have already indicated that writer after writer has seen the members of the board as having, as a collectivity, a set of tasks that are quite distinct from those of managers, even though some directors also have managerial roles as well. Pahl and Winkler (1974) have indicated that not all directors can be expected to play the most important role of the board, the allocation of capital, which may be in the hands of a clique extending outside the board. Thus, in studying top managers we must seek out those whom we can be sure, or who we at least have a good reason to believe, will be involved in this process, otherwise we fail to study those who have real power in the firm.

It could be argued that if we are concerned with how businessmen think, especially with how they think on social issues rather than their behaviour in the processes of company strategy formulation, then, simply because managers at all levels aspire to move upwards they will think in similar ways. In fact even this could be a dangerous assumption.

Firstly, it follows from studies of social mobility in industrial societies, the general results of which have indicated that the majority of individual social mobility from one generation to the next is over a short range, that top managers are more likely to come from elite social backgrounds than are those lower down. In the British case this means that we would expect those at higher levels of management to be more likely to have fathers in similar positions in managerial or professional hierarchies, and to have attended public schools and elite universities. And, as we shall see in Chapter 4, there is evidence that this is so.

However, it may well be that the psychology, the personality, of the top businessmen is different from those in middle levels of management. Of course, it is difficult to sort out cause and effect here: are they different because they are at the top, or did they get to the top because they are different? This need not detain us here, what is important is that there is a difference. We may cite, for example, the work of Ghiselli in the United States, and repeated here by Margerison and Elliott (1975). They used a questionnaire technique to study the motivation of managers and found clear differences between those at different levels. Those at the top gave more importance to achievement, and less to both security and rewards for the job, than did those lower down. Need for power was not found to vary much. Such results could be taken to indicate that top managers who actually do have higher rewards and more security than those lower down feel less need for them. More interesting is that top managers rated themselves higher on initiative and supervisory activity than lower managers, but saw themselves as less decisive and self-assured than those below them.

The high need for achievement amongst top managers has been stressed in other studies, such as those of McClelland (1953, 1961). That top executives are different from men in the middle is also made clear by Whyte (1957). Although Whyte maintains that managers are becoming increasingly more conformist, less competitive, and much more given to teamwork within the corporation, and are encouraged in this by those at the top, he also emphasises that the men at the top are quite different. The top executive is anything but wellrounded, says Whyte; not only does he work frenetically hard, but also he resents the control the corporation puts on him and has a fierce desire to control his own destiny. However, Whyte does not adduce much evidence on this point, and there is something of a clash here with other studies (see below).

That small firms are different from large firms was discussed at some length earlier in effect in our discussion of the ownership and control debate. It is clear that the small firm is more likely to be run by a founding entrepreneur or a founding family than a larger one, whereas managerial or finance control is more to be expected in the large public corporation. Again, it is the very large oligopolistic corporation that is in the situation, if any company is, of being able to control its markets, to be a price maker not a price taker, as Baran and Sweezy (1966) put it. Equally important the large firm is quite likely to be multinational, that is both selling and manufacturing in a number of markets. This is said by critics of the multinationals to give them advantages over the entirely home-based firm, but it also poses particular problems of control for the men who head them, and puts additional strains on them.

Size affects much more than the environment in which the corporation operates, and its ability to affect this. It could be argued that the bureaucracy is so well developed in the large corporation that the processes by which people at the top get things done are qualitatively different from those in small companies. Weber, the first to discuss the concept of bureaucratisation vigorously, suggested that the larger the organisation the more it would approach the ideal-type of a bureaucracy. Despite disputes over the extent and nature of centralisation in the large company, his predictions have largely been demonstrated, most notably in the work of Pugh and associates. One of these workers has summarised their findings:

> "Larger organisations are more specialised, have more rules, more documentation, more extended hierarchies, and a greater decentralisation of decision making further down such hierarchies." (Pugh and Hickson, 1976)

This being the case one has to ask whether those who flourish and succeed in such hierarchies are likely to be similar to those who, one way or another, come to be running small firms. (Though it must be pointed out that Ellis and Child (1973) did not find evidence of a stereotype of a bureaucratic man or bureaucratic personality in large firms; rather they suggest that particular types of personality may enter or adapt to particular occupations or industries.)

Whatever the difference of life within the large organisation as compared to the small company, we may also point out that those who head small firms are likely to come from quite different social backgrounds. The chief executives studied by Boswell (1973) in his study of small firms were far less likely to have parents in white collar or professional occupations, or to have been to public school than the men in this study. It also seems likely that they will not have had the opportunities to work in the range of specialist functions - such as personnel, operations research, financial analysis - that exist in the large company.

The third distinction amongst businessmen may well be the most important of all. We have seen that, in considering the business elite, we cannot ignore those who primarily work in the finance sector and control firms in banking, insurance or investment. Yet, this group is likely to have followed quite different career paths, and to be doing work of quite a different nature from those in the manufacturing sector; or the service and transportation industries. This then is a primary division amongst the elite.

And we may also have to consider entrepreneurs as a different group from those who are essentially managers. Not only are the former likely to be much wealthier, but there is some evidence that they have rather different personality characteristics. The major study in this area,[1] that of Collins, Moore and Unwalla, has the drawback that it looks at firms only in the Michigan area, so many of the firms are small. Nevertheless, some interesting conclusions arise.

The entrepreneurs investigated by Collins et al were found very often to be men who came from marginal groups, such as religious minorities or immigrant groups. They tended to be men who had found it hard to make progress through conventional educational channels. This was not only the result of their marginality, or poverty; often it was their personalities that were the problem: they tended to be too restless to accept the discipline of school, or later of established organisations or professions. In this they contrast with other business leaders.

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1. Collins, Moore and Unwalla (1964); see also Bruce (1976).

Collins and his coworkers used thematic aperception (TAT) tests to indicate the personality characteristics of their sample. Thus, the entrepreneurs could be compared with the businessmen studied by Henry (1949) and Warner and Abegglen (1955)[1]. The two groups, entrepreneurs and bureaucrats, were found to have a number of personality differences. Those who had successfully climbed the bureaucratic ladder were found, by Henry, to have a high drive for achievement, and for increasing status; they had very positive attitudes to authority and their own bosses; and they were men who found great satisfaction in their own work.

By contrast the entrepreneurs were found to have little drive for status as such; not did they submit to authority easily, and were <u>least</u> effective in their relationships with authority figures. Further, they tended not to work smoothly and easily but in sporadic bursts.

Thus, it is clearly wrong to discuss the business elite as though they are a homogeneous grouping. The founders of businesses among the heads of the largest hundred or two hundred companies may be few but they are quite clearly likely to differ from the bureaucrats. And there is a third group, the sons of founding fathers, and the grandsons, nephews and other relatives, who are quite likely to be different again, but of whom there has been virtually no study in the whole of the literature on businessmen.

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1. One should, perhaps, accept the results of these comparisons with caution, granted that there are several methods of interpreting TAT tests. Henry's system, though used very effectively by him, is apparently used by few other researchers (see Murstein, 1963).

1.13 Conclusion

This then completes our look at the business elite as they appear in the existing sociological literature. We see that the class position of those who head large corporations is somewhat ambivalent, whether seen from a Marxist or Weberian perspective. We have seen also that their class situation is fixed not only by their objective position, but by the ways in which they play the three important roles of the business elite, that is the economic, political and ideological roles. We have finally pointed to the importance, if the elite are to be studied, of focusing specifically on them, and of being aware of the important divisions amongst the elite.

In the next chapter, we take a different tack. Using as a basis quite a different body of theory and research we look at how businessmen themselves are likely to come to view their class and status position. The roles we have discussed certainly enter into their perspectives, but we shall see also the importance of a range of other factors.

CHAPTER 2

RELEVANT THEORY AND RESEARCH CONCERNING THE MEANING SYSTEMS OF TOP BUSINESSMEN

> 'The ingredients, the raw materials of class ideology, are located in the individual's various primary group memberships rather than his position in a socioeconomic category.'
>
> (Elizabeth Bott, 1954 and 1957, Ch.6.)

CHAPTER 2

RELEVANT THEORY AND RESEARCH CONCERNING THE MEANING SYSTEMS OF TOP BUSINESSMEN

2.1 Introduction

In the previous chapter we discussed the three roles which the business èlite or elites occupy in sociological theory; that is the roles of allocator of economic resources; political influential and ideologist.

At a number of points in our discussion of the theory we had occasion to remark both on the absence of first hand studies of the business elite, and of studies which make specific reference to their beliefs, values and attitudes. We would see these two deficiencies as interconnected, and they are not confined to the business elite. In elite studies more generally the same deficiencies have produced a disjunction between such evidence as we have, and the theories concerning elites.

Much of the evidence that there is about the business elite concerns their recruitment. From what is known of this much is inferred about the processes of recruitment, especially within the firm. And from this, and certain other information about the opportunities which exist for contact between businessmen, and businessmen and other groups, inferences are drawn about the behaviour of elites, or about the ruling class and state officials.

To recapitulate some of what we have discussed before, it is sometimes inferred that businessmen are part of a network of control over major business firms and that this network offers opportunities for the capitalist <u>class</u> to maintain its control over business enterprises. It is inferred that businessmen and state officials are likely to have or come to share the same sets of values and attitudes, which in turn will predispose state officials to act in the interests of businessmen. It is inferred that businessmen themselves share a cohesive, relatively homogeneous view of the world, and that through the access which they have to channels of dissemination of information and opinion, this view of the world can be put across to others in the form of business ideology, or, more generally, a class ideology.

Now we ourselves would suggest that sociologists have tended to incorporate assumptions and inferences about elite values and behaviour into their theories, where, when considering other problems they would have been able to draw on direct evidence. As we stated at the beginning of chapter one, the intention behind our empirical work was to investigate the possibilities of making more direct studies of businessmen, and to begin to replace the assumptions and inferences about the values and attitudes they are thought to bring to their roles, with more direct evidence of these.

We recognise however two things in doing this.

Firstly that there are some theorists who would hold that the beliefs, values and attitudes of businessmen do not have the importance which we ascribe to them. Our study implies a theoretical perspective (which we would see as being that of the Weberian tradition).

Secondly it is of course true that a discovery that businessmen's attitudes and values were not as they were thought to be, would not necessarily alter the final consequences of theory. For example, were a study to show that businessmen and state officials (eg. civil servants, politicians) do not meet, either formally or informally, and had quite different and conflicting sets of aims and objectives from each other in the economic sphere, it would not necessarily mean that state officials did not act in ways that were to the advantage of businessmen (or a ruling class). However it would mean that theory would have to be able to incorporate this finding.

Whatever the outcome for theory, the values and beliefs of businessmen are as much of interest to sociologists, we suggest, as those of manual workers, whom we shall show below, have been much more extensively studied. The three roles which the business elite have placed them in a unique position; but these three roles do not in themselves alone determine the attitudes of businessmen, even to the roles themselves. Like everybody else, businessmen's understanding of how they can and should act, and of the consequences of their actions, is related to their wider view of society and their place within it.

Part of the empirical work of this study was concerned therefore with what are generally called 'images of society' - beliefs about class, status and power; about the relationships between class and status groups, the reasons for the existence of such differentiation in society and the individual's own place within the structure of society.

Sociologists, where they have anything to say at all on how elite groups or upper or ruling classes regard capitalist society, offer a number of differing interpretations. It is suggested variously that an upper class will be one of the most class conscious groups in society (Baltzell (1968)), that their class view will be the culturally dominant one, a legitimatory ideology, incorporated into the meaning systems of the middle class, and much of the working class (Parkin (1971)), that elite groups may deny the significance of class as such (Giddens (1973)); or in the case of business directors, that they may hold a conception similar to that of the traditional 'manual' worker (Winkler (1974)).

Now it is clear that the three roles of the businessman we have already discussed, will to the extent that any individual plays them, have a strong formative influence on how he or she regards society more generally. In particular the role of allocator of economic resources, is clearly the prime role of businessmen. In the majority of cases they come to play the other roles as the result of playing this role. And because they are controllers of business firms, because their own material position, their status and power are based on this control, they are clearly very likely to adopt a world view favourable to the capitalist system; to defend the rights of individuals to obtain differences of reward and status, and of some people wielding authority over their fellows.

In the discussion that follows in this chapter, it should always be born in mind that the primary structuration (to use Giddens' (1973) conceptualisation) of class is the ownership or otherwise of capital; and that businessmen occupy the three roles that we have discussed within a capitalist society. Indeed their position is dependent on the continuation of capitalism.

But businessmen are not just businessmen; they are also husbands, fathers and sons; members of local communities; people with hobbies and other interests, members of clubs, sportsmen and/players of a host of other roles. Nor, obviously, even in the case of family businessmen, were they born as company chairmen - they have passed through periods of education and through whole careers. Thus it is an important premise of this work that businessmen's images of society, or to use the more general phrase, their meaning systems, are not the products solely of their position as a wealth,status or power holding elite group.

This is merely the parallel assumption about the occupational group, businessmen, that is made elsewhere, and substantiated by research evidence, concerning other groups in society. The fact is that the image of society of manual workers is not solely the product of their recognition of their position as a group which has only its labour power to sell.

In this chapter therefore we examine the extensive literature concerning the relationship between the work and community situation of individuals and their subjective perception of it. And we attempt to build on this literature as it relates to top businessmen to give a picture of the factors that are likely to influence the images of society held by them.

2.2 Diversity in Class Imagery

In the past it would not have been necessary, or pertinent, to undertake the kind of research reported later in this volume. It would have been clear, for example, to both observers and the groups themselves, who the bourgeoisie or the middle class were. They were that class of urban based merchants who stood apart both from the rural landowning aristocracy and gentry and the mass of labourers. To those merchants are added, as the industrial revolution gets under way, the entrepreneurs, the founders of business and the owners of workshops.

Later as Cole (1950) has discussed, a group emerged catering to the needs of, and mixing with, this bourgeoisie: shopkeepers, clergy, professional men of various kinds. These groupings together constitute the middle class or classes which stand below the aristocracy, and those of the better established capitalists, merchants and financiers whom the aristocracy accept as near-equals, but clearly above the ordinary workmen.

Since this stage (in Britain it would have been roughly around the middle of the nineteenth century) the advanced capitalist societies have become much more complex. The number of administrators, managers, professional and semi-professional workers, clerks and technicians has been greatly expanded. So too have the cities and towns, and the number of skilled and semi skilled workers that dwell in them.

One result of this is that sociologists and other observers find it hard to define what the middle class is, and where its boundaries occur. Amongst British authors, Lewis and Maude (1949) gave no definition. Cole, though he specified a number of occupations which might (or might not) be middle class, maintained that all they had in common was an opposition to further levelling down. Raynor (1969) too does not define the middle class as class, rather he refers to a 'middle stratum' of people who fall in the middle of the hierarchies of class, status and power.

The point here is that once we would have expected little variation in the views of members of society about the nature of the stratification system and their place within it. When the social order was, or where it still is, based on inherited ownership of land or the lack of it, then whole families become socially fixed over generations. The merchants mentioned above are a group whose position is not based on land tenure, as are craftsmen, shopkeepers, and the clergy, but with the exception of the latter these too may largely be inherited positions.

Thus in rural areas there may be what Plowman, Minchington and Stacey (1962)[1] called 'local social status systems'. Such systems depend for their operation and maintenance on the personal knowledge that members of communities have of other people in the locality. In rural villages, or small towns, and their surrounding communities people may know personally, or by repute, many of the people in the area at all social levels, and their family background as well. In the corresponding social status system people are placed by their family's position and there will be only limited individual movement from generation to generation.

In the contemporary community of this type, as

1. See also Williams W.M. (1956); and Bell,C. and Newby H. (1973) The latter also appears in Bulmer (1975)

described by Stacey et al (1960), the hierarchical order places the local aristocrat at the top, together with the local members of the gentry. One or two wealthy businessmen may mix with these, but otherwise businessmen, professionals and shopkeepers constitute a separate rank again; workmen of various types rank below these.

As can be seen such a system is to some extent rooted in rural life. In it people's family background, breeding and life style count for as much as money or other attributes. But such systems would appear to be on the decline: Stacey reports the existence of such a system in Banbury in the early fifties; by the time of her repeat study it had all but disappeared. (Stacey et al, (1975)).

Correspondingly in studying urban communities, or groupings within them, sociologists have referred as much to the disagreements between people of different types and status, as to the similarities. Lloyd Warner and co-workers in the U.S.A. in the thirties, attempted to describe a status system for Yankee City[1], based on the perceptions of the inhabitants. It is doubtful if anyone would attempt such an exercise nowadays. (And see Gordon (1963) for a discussion of some of the problems of Warner's work).

For it is clear that, if nothing else, people in different positions in the stratification order are likely

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1. Warner W.L. and Lunt P.S. (1947) and also Warner W.L., Meeker M.,Eells K. (1960).

to perceive the nature of social class and social status in different ways: to assign different positions to different groups of people: and to differ greatly in the amount of social conflict they perceive. Even over the social ranking of occupations, on which there had been reported great agreement amongst the population, it was found by Young and Willmott (1956)[1] that some groups of manual workers might disagree by deliberately promoting some types of manual worker in their version of the occupational hierarchy.

The primary distinction to be made has been, of course, between the conceptions generally held by the middle class, and those held by the working class. Empirically these have been treated as white collar occupational groups and manual workers, and much of the literature in this area has concentrated on the latter. It can be argued that there are good reasons for this: some of the reasearch has been geared to various problems of sociological theory, such as the tendency of a large minority of manual workers to vote Conservative (for example, McKenzie and Silver (1968) and

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1. Early studies which point out the relative agreement over grading of occupations are those of Hall and Jones (1950), Moser and Hall in Glass (1954), and that of the NORC reported in Bendix and Lipset (1953). A study with similar theoretical implications to Young and Willmott's is that of Stehr (1974). Note that such studies have been criticised as not being indicative of the "prestige" of occupations at all, but simply of how good a job would be to have, in terms not only of its prestige, but also its intrinsic interest, rewards, conditions of work and social usefulness. See, in particular, the chapter by Goldthorpe and Hope in Hope (1972).

Nordlinger (1967)), or the embourgeoisement thesis[1], for example; and it can be argued that middle class norms and values are so accessible as to need little direct research. However in the next section we will summarise the literature concerning working class 'images of society', and will suggest that applying similar theoretical considerations to the middle class (or upper class) elites, we find a far more complex situation than has so far been allowed for in the literature.

2.3 Working Class Images of Society

It has long been noticed and recorded that members of the 'working class' often share a normative orientation different to that of the middle class, as defined above. Partly this is the result of accommodation to the differences of life chances which people are aware of; thus middle class people have rather different aspirations for their children, both as regards the occupations they wish them to enter, and the educational preparations they encourage them to make. In general the middle class are more likely to encourage their children to stay on at school after the minimum leaving age, to obtain higher

1. Most obviously the studies by Goldthorpe, Lockwood and colleagues; see The Affluent Worker Vols 1-3. Especially The Affluent Worker in the Class Structure Vol 3. (1969).

qualifications and enter university education. (This is reflected in the number of children who actually do these things.)

The child from a working class home will often begin work as soon as he or she can, though some may enter apprenticeships. The middle class, so it is said, adopt a posture of 'deferred gratification', not only in starting work later, but in saving money in their lifetime, purchasing houses rather than renting them and so on.

The two groups, almost by definition have very different chances of mobility in their occupations: this is reflected in their attitudes to work, and industrial conflict. Whilst the working class regard improvement of their situation to be possible mainly by collective, (ie. trade union) action; the middle class seek individual advancement. (See Prandy (1965)[1] on this point).

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1. Prandy explicitly suggests that more typical middle class workers tend to prefer to join 'professional associations', whilst those closer to a working class outlook will form trade unions of the traditional type. Whilst this thesis may have seemed plausible at the time Prandy was writing, Prandy did not so distinguish the professional association from the trade union that they can be seen as distinct alternatives. It has become clear from action by doctors that forming a professional association does not preclude activities normally undertaken through a trade union. See also Bain et al. (1973).

Current British theory is based on a number of studies, particularly those made in the nineteen fifties, such as those by Hoggart (1957), Bott (1957) and Young and Willmott (1957). These however are paralleled by research in other European countries, for example studies by Willener (1957) and Popitz (1957). As well as other norms and values, it was clear that voting behaviour, and propensity to join a trade union were strongly related to objective aspects of stratification. And whilst there are certain differences of emphasis and ideological tradition with regard to unionism, and political parties, the picture of America is not very different (see Lane (1961) and Hyman in Bendix and Lipset (1953)). Apparently even sexual behaviour varies between class and status groupings (see Kinsey, Pomeroy and Martin (1948)[1]).

As already stated these differences of norms and values are partly explicable as being reactions of different groupings to the very real differences and expectations that they have of success in life. With some exceptions, and allowing for a certain amount of social mobility over a limited range, the children of

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1. For a source book of differences between classes, see Reid (1977).

members of the manual working class do not gain high educational qualifications, and lacking these are not able to succeed in occupational hierarchies (granted also the possibility of cultural prejudice by people further up the hierarchy.) This being the case to take shelter in the collective security of a trade union and to adopt a party geared to furthering the collective interests of lower class groups may be seen as a natural response.

Allied to these differences of norms and values, it is clear also that large sections of the population are prepared to label themselves as belonging to one class or another, and such labelling, and the accompanying beliefs concerning the nature of society, of the relationships between classes, and the reasons for the existence of class or status groups show a similar tendency to vary with more objective aspects of stratification.

However it is clear that a substantial minority grouping identifies with a class other than its own, either in the label it adopts, or its definition of classes, or in other attitudes. And even amongst those who call themselves working class, there are substantial variations in belief systems. A particular problem of theory has been to explain why, although changes of objective condition specified by Marx have occurred, the class consciousness of the proletariat has not emerged to a fully developed revolutionary state.

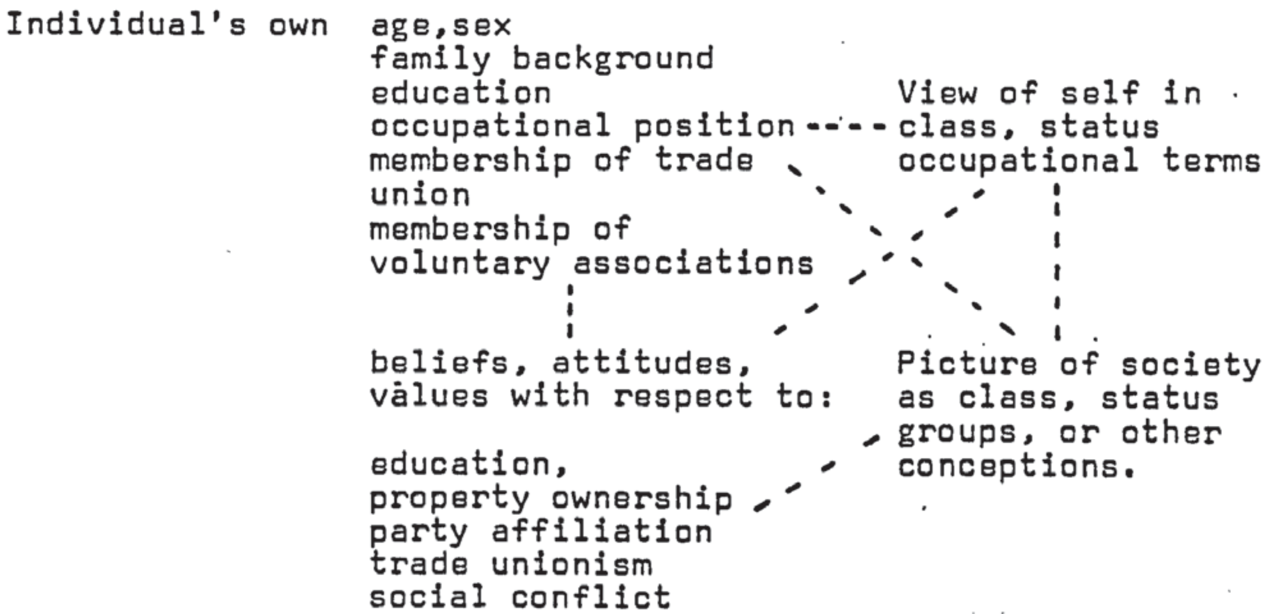
One approach to the problem, that adopted by Centers (1949), is in effect to maintain that people are the class that they say they are. We then treat self-affiliation as a variable which in turn somehow shapes other attitudes.

Although Centers claimed that his own study showed support for this theory, both his research method and his conclusions have been strongly criticised. (see eg. Gross (1953)). As Gordon (op cit.) has pointed out, although Center's results are in the direction of his theory, in themselves they by no means substantiate it. But even if attitudes did cluster satisfactorily together, and in turn did show association with self-affiliation to a class label, we should still have the problem of how people in broadly similar class, reward and status situations come to differing conclusions about their class position.

It is from here that we turn to the extensive, though predominantly European work on working class images of society. The underlying premises of theory in this area suggest that a person's beliefs and values are related not only to their own particular circumstances as manual or white collar workers, or even the finer divisions of status and reward but also to their whole interpretation of society, with respect to its structure, and their own position and opportunities within it. The latter are called 'images of society', although the term in practice has been used rather widely to cover almost anything from a person's social norms and values, to the specific picture of society which the sociologist extracts from him in interviews and questionnaire studies. In a slightly different terminology Parkin (1972) refers to 'meaning systems' which are shared sets of beliefs and values, and adaptive responses, to which individuals can refer when contemplating their own position in the stratification system.

It will be clear that by this stage somewhat disparate elements have been brought together, which attempt to relate the individual or group's objective situation, norms and values, to their abstract conceptions of society and to their propensity to various forms of social action. It is often not clear from the literature what the exact relationship between these is thought to be. That is, what the relationship is, between:

<u>Fig. 1</u>



We take as a starting point for the discussion of working class images of society, the well known paper by Lockwood (1966). This in turn drew on several sources, notably the work of Elizabeth Bott, who had suggested that: 'the ingredients, the raw materials of class ideology, are located in the individual's various primary group memberships rather than his position in a socioeconomic category [1]. Bott suggested than when a person talks about class, compares himself with other people or places himself in the wider social context, 'he manufactures a notion of his general social position out of the segregated group memberships (which he has). He reduces them all to a sort of common denominator.'

Lockwood emphasised the importance of two sets of primary group relationships, those ocurring in the work situation, and those within the local community. He drew attention to studies of groups where the relationships at work were to a large extent the same as those in community life. Thus certain kinds of class imagery, those that conceive of society in simple dichotomous terms ('them and us' models) were especially frequent amongst members of communities in which manual workers were concentrated together, and cut off from direct and regular personal contact with higher status groups.

In particular this appeared to be the case amongst

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1. Bott, E. The Concept of class as a Reference Group. Human Relations 1954. This is Ch. 6 of Family and Social Network (1957)

workers living in districts where there were one or two industries which employed the majority of people in the area. Blauner, another source for Lockwood's conceptualisation has termed this type of community an Occupational Community[1]. In Britain they have been associated, for example, with the shipbuilding and coalmining industries. It is amongst members of the occupational community that we expect to find the us and them viewpoint, as the most prevalent conceptualisation of class. 'We' are the workers, 'they' are those in authority - the 'bosses', managers of officialdom in all its guises. Such a conceptualisation can form the basis of very strong union solidarity, a strong tendency to vote for the 'working class' party, and potentially a strongly conflictual view of relationships between classes. A point of debate is whether this can form the basis of genuine class consciousness, or whether the limited and local horizons from which it derives its strength, and which can be powerful cohesive forces in trade union disputes, do not also limit its vision.

A contrast, amongst the socalled traditional working class are those who live in more mixed communities, or who work in small firms or on farms. This group clearly

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1. The notion of occupational community comes from Blauner's chapter: 'Work Satisfaction and Industrial Trends in Modern Society', in Galenson and Lipset (1960). Several of the papers in Bulmer (1975), particularly those by Salaman and Allcorn and March, discuss the concept. See also Salaman (1971 a, 1971 b.).

has a good deal of personal contact, particularly with managers, and may correspondingly absorb something of the middle class perspective. They may be aware of the bosses, but not take an antagonistic view towards them, accepting their leadership as natural or necessary. Amongst such workers, society will not be pictured in conflictual terms; and their direct contact with managers may lead them to feel that trade unionism is not necessary or desirable for them.

In practice as both Parkin, and Bell and Newby[1] have pointed out, the deferential viewpoint does not necessarily imply an acceptance of low status by the individual for the group of which he is a member. There may be deliberate

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1. Bell and Newby, (1973) and Parkin, F. Class Inequality and Political Order (1972) pp.88-96. There is also a tendency in the literature to conflate a deferential view of the class structure, with the middle class view of society as a status hierarchy. Lockwood himself appears to do this. However there seems no reason why the two should be the same. A deferential viewpoint could presumably accomodate a view of society that sees two major groupings (eg. leaders and followers, officers and men). Deference presumably betokens an attitude of mind rather than just percieving more than two classes.

   Equally one must question the tendency to label any perception of the class/status system which perceives more than two classes, and distinguishes them on the basis of multiple attributes (eg. education, money, occupation, family background), as a status model. A status model does imply that people defer to those with certain attributes, which in themselves come to carry certain meanings for others. However a hierarchical model may not imply deference, merely the subdivision of society into groups with different styles of life. The middle class may in fact be less likely to hold deference models than even the traditional worker. How many miners or ship-building workers would not in practice show deference to a duke? Similarly Platt has suggested that privatised workers do in fact show awareness of status and divisions. See Platt, J. Variations in Answers to Different Questions on Perceptions of Class. Sociological Review (1971).

promotion of one's own occupational group in the status hierarchy, as well as a tendency to see everyone as having a useful role to fill. Deference can involve the ascribing of qualities to people in positions of authority, without diminution of one's own status.

In Lockwood's conceptualisation the 'traditional' manual worker is specifically contrasted with the 'privatised' worker. Both types of traditional worker are seen as having strong community and work attachments, whilst the privatised worker lacks either (a theme taken up in the Affluent Worker studies). In the ideal type the privatised worker is attached to his job only for pecuniary reasons, and goes where the money is highest. He does not mix with workmates much outside work, but rather is home centred. Often he lives on a large estate, to which he has come comparatively recently and lacks the kinship connections, and the relationships with neighbours that characterise the traditional working class community. Thus the privatised worker comes to view society as a hierarchy of income and possession, and no more. He may envisage a stratum of the very rich or the very poor at either end but has no class or status conception of the structure or relationships of society.

Lockwood summarised the conceptualisation in a typology in the form of two tables. These are reproduced here below, and it will be seen that the middle class are also included here, in Lockwood's words: 'only because they give the paradigm a certain pleasing symmetry' (loc. cit.), though their inclusion is later defended.

Fig. 2. Lockwood's conceptualisation of the relationship of work and community situation to images of society

Work Situation

	Involvement in Job	Interaction and Identification with workmates	Interaction and Identification with Employer
Middle Class	+	+	+
Deferential	+	-	+
Proletarian	+	+	-
Privatised	-	-	-

Community Structure

	Interactional Status system	Occupational Community	Occupational Differentiation
Middle Class	+	+	+
Deferential	+	-	+
Proletarian	+	+	-
Privatised	-	-	-

A rather more general approach to the same question has been developed by Parkin (op. cit.), who discusses not 'images of society', with their implications of some abstract picture of society, but rather what he calls 'meaning systems'. The latter are not defined, but from the text is is clear that they constitute systems of belief, and of norms and values, through which individuals or groups can interpret their own personal situation in the class structure, and which will guide their action in relation to it.

Parkin distinguishes three types of value system. The first of these is the dominant value system, which promotes the endorsement of existing inequality. This is clearly the value system we expect to find amongst elite groupings, and both upper and middle classes. Parkin's conception here reverts to the Marxist notions of a ruling ideology, and he suggests that whilst there may be differences in outlook, between for example, aristocratic (traditional) and managerial or entrepreneurial elites they are not likely to be fundamental with respect to the values underlying class inequality. The acceptance by less privileged groupings of these values is likely to result in conceptions of the class, status and reward structure in either deferential or aspirational terms. Fundamentally deferential workers are the same as those labelled by Lockwood, whilst aspirational workers are those who percieve opportunities for them personally of upward mobility, and Parkin's conceptualisation has the strength of drawing our attention to the fact that social mobility is to some extent a source of social stability by allowing the more able (and possibly the potential leaders) of the lower class groupings to move out of their originating community.

The second value system, originating in the local working class community, is the subordinate, which is essentially that held by Lockwood's 'proletarian' worker. This value system does not suggest a version of the opportunity structure as open, nor of society as an organised unity, rather it promotes its own view of the importance of community and neighbourly togetherness, and of shared distrust of outsiders, particularly higher status groups; of 'them' as opposed to 'us'.

As we have already done, Parkin is inclined to be sceptical of the subordinate value system as a manifestation of emerging class consciousness, or even of a base on which such consciousmess can be built. He points to the third value system emanating from the mass political party, as being the one that leads to such a radical, or oppositional, interpretation of class structure.

Parkin's conceptualisation, although in some ways matching Lockwood's, has some differences. Altogether it is more general, and it refers specifically to value systems. The strength of this is that it allows for a more flexible interpretation of attitudes and behaviour, because as Parkin presents his schema, it would appear that individuals might, at different times, be aware of, and be guided by, any of the three value systems. Quite possibly only minority groupings of the population would be expected to have a value system that fits neatly into only one of the three types. Some of the lower class at least may perhaps incorporate elements of two or more types into their thinking.

This strength however is at the same time a weakness, since Parkin does not detail the precise content of any of these value systems, nor their manifestations in behaviour (eg. in voting behaviour); nor does he specify the circumstances in which any particular value system is most likely to be found. His model is nowhere near as specific as Lockwood's and thus as yet has not (though it is more recent) been examined in the light of research specifically oriented to it. Parkin does quote similar sources to Lockwood, and he refers to Lockwood's paper itself, but he particularly neglects the work situation, which in Lockwood's conceptualisation appears as strongly as the local community as a source of orientations to class and status inequality.

Parkin would claim perhaps that his book represents a general discussion on the nature of inequality, and social stability and that he is not offering a detailed treatment of this particular area. Nevertheless certain specific problems do appear to have been ignored or treated only skimpily. For example, Lockwood's privatised worker, the subject of a three volume study by Goldthorpe, Lockwood and coworkers (op.cit.), does not have a normative orientation that can be seen as a mixture of the three value systems Parkin discusses. Again, in the British context, it is not clear to what extent the Labour party has been a source of genuinely radical values, and even if it was in the past, it is surely open to doubt whether it has been since it gained power in 1964, and has since both had to preserve the capitalist system, including at several stages inequality of reward via pay policies, whilst at the same time pursuing 'socialist' policies. Parkin does discuss the deradicalization of social democrat parties, (especially Chapter 4.), and some reasons for it, and speculates on the effect this might have on working class value systems, but he is not able to produce any evidence to show that any changes have been consequent on this deradicalization. Further, he does suggest that such parties have moved from a more pure socialist position to advocacy of meritocracy; and the pursuit of policies aimed at furthering meritocracy might however be still considered radical in the light of current aspirations of the working class compared to other groups. Yet although the ideal of meritocracy may be held by some of the middle class (as we shall show it is by a small group of the managerial and entrepreneurial business elite), it has seldom been remarked upon as a working class value.

We shall point here to the inadequacies of Lockwood's comception when applied to the middle class. We must also accept that the generality of Parkin's conception allows him to sidestep the major theoretical problem of Lockwood's model, which is that it mixes structural factors (community situation) and attitudinal ones (orientation to work). This bas been accepted by Lockwood, and by Bell and Newby, who propose to replace the work situation variable by bureaucratisation.[1]

Lockwood's (1966) paper has led in turn to a profusion of studies, which wholly or partly examine in some form the 'images of society', or the value systems of the working class. (See the work edited by Bulmer (1975) for a collection of these studies.) The exact findings of such studies are not at issue here, but if we trace the evolution of studies in this area over the past twenty years (or even more) we notice four points of importance.

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1. See the second paper by Lockwood, and the chapter by Bell and Newby in Bulmer, op. cit.

   Another difficulty is that in the case of the two types of traditional worker, the situation is seen as generating attitudes, but in the case of the privatised worker it is more the case that attitudes generate work situation and community situation. Thus in the case of the Affluent Worker studies there was very little indication as to why the workers were 'privatised', and so lacked attachment either to the community or workmates. In fact such variation in work situation as there was (ie. that caused by differing technologies) was not thought to generate a significant variation in orientations to work (or the attitudes of the workers) more generally. This has of course been a source of controversy, for comment on which see the chapters by Brown and Daniel in Child (ed) (1973). Possibly we would need bureaucratisation and technology as separate dimensions (since these apparently are not highly interdependent - see the chapters on this subject in Pugh and Hickson (1976)).

2. Hoggart, Bott, Popitz, all cited above. Studies using a more structured approach are Runciman, Relative Deprivation and Social Justice (1966), and Butler and Stokes, Political Change in Britain (1969). Also: Lopreato and Hazelrigg (1972), Class Conflict and Mobility.

Firstly we notice that from an early divergance of methodology, there has been in recent years a certain convergence on the technique of the open ended interview. Amongst earlier studies Hoggart drew on his own personal experiences and observations amongst the working class; Bott relied on very extensive interviewing of a relatively small number of people; Popitz used open ended interviewing, but used questions on a variety of subjects, and did not directly raise the issue of class or status; Willener did put the question directly but allowed for open ended answers. In a range of other studies however, questionnaire or highly structured interviews were used (See note 2 on previous page). In more recent research, however, researchers seem to have settled on the open-ended interview as the technique, raising a range of topics in the interview, with the specific issue of social class amongst them.

Such a methodology can be defended on the grounds that respondents are not forced into making artificial choices; they can thus discuss the topics in their own language, choose their own categories, and hence reveal their value system, and their picture of society. It can be seen that such a methodology brings its own problems, such as those of establishing any reliability for such a technique; of the extent of the validity of such answers (though this is not confined to interview technique), and of coding the data. We shall return to these in Chapter 3.

A second point however is that a convergence of methodology is not matched by a convergence in the results. Lockwood's model described at most four types of image of society, even if one sees the middle class viewpoint as distinct from the deferential proletarian . Willener and Popitz had already described more however, and to cite some more recent studies, Davies (1967) describes five models of society, split into a total of fourteen subtypes. So too, Brown and Brannen (1970) researching on shipbuilding workers report some fourteen distinct 'images of society', though again these can be reduced to five main types. Similarly, in recent work in Melbourne, Australia,Hiller (1975) has found it necessary to describe more models, and more complex ones, than those contained in Lockwood's scheme.

A third feature of the recent literature, is that there has been more attention given to describing the models of society encountered by the researcher, than in accounting for how the subgroups of respondents come to hold them. This is true for example of the extensive work by Hiller, cited above, and claims that this is in some way a 'phenomenological approach' can in no way blind us to the fact that neither theory or empirical research is really advanced by mere description. To be fair, this is not true of some of the papers in the collection edited by Bulmer, which draw our attention to factors, such as religious belief, or the extent and nature of bureaucratisation in the work setting, which can be of importance in understanding how a particular group of workers views its situation.

As our fourth comment, we remark that the cumulative effect of reading much of this research is to throw into doubt the whole idea that respondents hold some fixed pictures of society which researchers have reliably tapped. The profusion of descriptions of images of society, set against the fact that they are derived from coding open-ended interviews, leads one at least to ask the question of whether the typologies are typologies of all the images of society the researchers could think up, or all those the respondents actually held.

Whatever the answer we incline to, the different results obtained from researching on different populations and subgroups, is striking. For example, Hiller reports finding almost no 'privatised worker' conceptions whatsoever. Several authors, most notably Bell and Newby, emphasise the ambiguities in their respondents' references to class, status and related topics. Blackburn and Mann went so far as to state that their respondents held 'no consistent political ideology' [1], though as Lockwood points out this does not necessarily mean the individuals in question held no images of society.

Amongst other factors whose influences have not

1. In Bulmer (ed) op. cit.
.. See also comments by Brown and Brannen op. cit., and Moorhouse, (1976).

been adequately explored in the literature are the effects of the mass media, most notably the cinema, radio and T.V. on society as a whole, and particular segments of it. Intuitively one feels that the population, whilst not noticeably more literate may be better informed than twenty years ago. Do the closed occupational communities, of say miners, dockers and shipbuilding workers, still exist in the same way now that television brings the rest of the world into their living rooms?

These problems have meant that it has not been possible to demonstrate the connections between work and community structure and ideal types of class imagery in practice. Lockwood, however, maintains that this is to be expected when reality is compared with ideal types. And it must be accepted that, whilst others have suggested factors which may be of importance, his paper remains the only one to explicate the linkages between work, community structure and social imagery.

The most important objection to the studies of social imagery lies to some extent however in their methodology. It can be argued that allowing respondents to give freely their abstract impressions of the stratification structure is artificial, and in itself uninteresting. Class is only relevant it may be said, when people are forced to make choices; i.e. it becomes relevant if people decline to join a trade union because 'I'm middle class', or 'they don't represent people like me', or vote Labour because 'that is the party of the working man', and so on. In a sense then abstract conceptions of the class structure may be considered as less important than concrete manifestations of awareness of it.

Indeed a number of authors have pointed out the difference between answers to abstract questions on class inequality, and other issues, and those to more concrete issues with which the respondent is concerned. Mann (1970) reviewing a whole range of studies in England and America concluded that the working class may accept dominant values when abstract questions are put to them, but reject them or,more characteristically give inconsistent answers,on more concrete issues. Mann suggested that:

> ' The individual has contact with society only through primary and secondary groups and consensus in the prevailing order is <u>imposed</u> on the working class'

Thus .... ' So far as the individual is concerned his normative connections with the vast majority of his fellow citizens may be extremely tenuous, and his commitment to general dominant values may be irrelevant to his compliance with the expectations of others.'

Mann puts forward the hypothesis, of some relevance here, that only those sharing in societal power need develop consistent societal values.

What Mann is saying is that to the extent that abstract conceptions of society are important, and necessary to people, they may accept dominant values, but in taking practical action they may act in their own self-interest. The most obvious example of this is the widespread acceptance, even by union members, of the opinion poll statements to the effect that 'trade unions in this country have too much power'. Whilst they acquiesce in this, at the abstract level, they may still follow their own leaders, or support or push their leaders into positions of active militancy in practice. Parkin's conceptualisation takes account of this same point, for Parkin views the subordinate value system as the result of accommodation to the facts of inequality, and in effect an acceptance of dominant values is negotiated and absorbed into an abstract philosophical acceptance. In the deferential value system by contrast the dominant values are reinforced by personal contact and primary relationships.

2.4 The Business Elite: a Source of Dominant Values?

The discussion so far has pointed out some of the problems, both at the theoretical level, and in empirical study, connected with studies of 'images of society'. What is clear from these is that the middle and upper classes, and certainly elite groupings, have been largely left out of the discussion. The value systems, or the images of society, of such groups have usually been treated as unproblematic.

Where they are studied it is usually as part of larger studies of images of society held by the population as a whole. At the theoretical level they are seen as simply being the 'dominant values' or else, in Lockwood's formulation, are seen as being so formed by primary relationships as to give a view of society as a set of vertical status relationships.

What seems lacking in most accounts are statements of what exactly the 'dominant values' are, how they are changing or how they differ from culture to culture. In the previous chapter we discussed this same problem with respect to ideologies of business management. We suggested that ideologies as developed and expressed for public appeal should be differentiated from the beliefs and values held by members of the groups in question. In practice in our discussion of business ideology we did suggest some similarities between British and American business ideology since the war. We note the rise of a 'managerial ideology', of the references to 'social responsibility'; and of the new acceptance of trade unionism and the economic role of the state. Even so these limited areas of business ideology do not constitute an adequate discussion of the values of the businessmen in relation to inequality of reward, of status or power. Whilst we may be sure, certainly, that the business elite will seek to defend capitalism, the free market system, and inequality in society it is legitimate to analyse on what terms they do so; how they themselves conceive of society;

and what cultural symbols they themselves employ.

It is far from clear from the literature what images of society to expect amongst the upper and middle classes. Parkin (op.cit.) points to splits between traditional/aristocratic and managerial/entrepreneurial elites. These would seem to have a certain tension between them. On the one hand the aristrocratic view of society emphasises the rights of property, the hereditary principle, and the desirability of leaders who have been 'born to rule'. The meritocratic viewpoint however emphasises the importance of routes to leadership positions being open to competition for them, and of those who lead being the best fitted by virtue of ability. One may well ask which of these strains predominates in Britain; and how the meritocratic principle accommodates the right to inherit and to purchase advantage through the public schools. Turner (1966), for example, compares Britain with the United States, maintaining that the contest norm, in which leadership status is earned, not given, characterises the latter society, whilst in Britain one is invited to attain leadership status by those who already have it, and by virtue of having similar qualities and characteristics to theirs. According to Turner, amongst British elites manners, courtesy, altruism and, academically, the classics, are valued. Yet one is inclined to suggest that this contrast is perhaps dated.

On the particular question of elite or higher status attitudes to class in Britain the literature is vague. As we have seen, one view has them highly conscious of a hierarchy of status gradations. This view, implicit in Lockwood's paper, comes from work on local social status systems, which as we have seen, are largely rural based. Giddens (1973), however, sees the class awareness of the middle class as possibly taking the form of a denial of the reality of class. This is the result of the stress upon individual achievement and responsibility characteristic of them.

What is rarely questioned however is the one way nature of the picture of the flow of values that sociologists themselves have. In most conceptions, as we saw in the context of a discussion of business ideology, the dominant ruling or higher status groups are seen as articulating values, giving information, creating beliefs, which other classes or groupings receive passively. Other value systems, even the radical interpretation, are not seen as having any countereffect, or if they do, as in Lukacs' writings on class consciousness, it is on a minority of (mainly) intellectuals, who by their acceptance or incorporation of other viewpoints are thus no longer truly part of their class. (Lukacs (1971).)

The intention of this work is to attempt to treat the business elite in the same manner as the working class have been treated, and to use the same methods, and materials, to explore their thinking. We suggest that to do otherwise is to give them a false mystique, and to falsely exclude them from society. The question of the image of society held by this group has not been directly investigated before. However there has been a certain amount written about the value systems of the middle and upper classes in Britain, and we turn to a discussion of this, from which we hope to show that the business elite are subject to a potentially very large web of experiences and primary and secondary relationships, on which they may draw in consituting their models of society and their explanations of the normative and moral order.

2.5 Sources of the Social Imagery of Top Businessmen

So far we have conducted the discussion in general terms, but now we must be more specific about whom we mean when we refer to the business elite. For the purpose of this study we take this group to be the main board directors of the larger non-government owned financial and commercial enterprises. Amongst financial enterprises we include banks, insurance companies, investment firms and property companies. The definition is positional; and it has been argued that this is unsatisfactory, on the grounds that not all those who have high position in fact have power commensurate with that position within their organisations.[1]

However there is a major problem if we are to investigate every organisation in advance to see which men are part of the power holding cabal, and, although some attention has been given to this point in designing this study, it is clear that, if we are concerned with the value systems of those in high status positions it is unlikely that noneffective directors will differ very much from their colleagues who do have control.

When we come to consider the value system of the director we find few whole pictures of him in the sociological literature; we are forced to put together our own from a variety of sources. Those we have identified are no doubt not complete, but they serve to give us some bearing on the extent and nature of the problem. The director may be, as we have seen, an entrepreneur, an inheritor or a manager of the business enterprise of which he is on the board. Yet, in the conceptualisation due to Giddens (1973) we may note that this is only his position in the primary structuation of classes in capitalist society.

It is the secondary sources of class structuation which define more precisely his position, and it is a number of other experiences, relationships and influences on

1. See eg. Pahl and Winkler (1974).

which he draws for his image of society. We have identified and discuss the following:

(i) The director in touch and out of touch with the working class.

(ii) The director as part of the middle class.

(iii) The director as part of the upper class, and adherent of Tory ideology.

(iv) The director as ex-public schoolboy.

(v) The director as recipient of, and creator of business ideology.

From these we can begin to see the complexity of sources on which elite thought is based.

2.5.1. The Director In Touch, and Out of Touch, with the Working Class.

Most discussions of class imagery make little distinction between beliefs, attitudes and values held by the upper and middle classes, or between elites and middle class groups. A starting point for consideration of the social imagery of the director may be to treat him as a member of the middle class. Reference to Lockwood's paper on working class images of society (op.cit.) suggests that the middle class adhere to a view of stratification that sees it as a hierarchy or pyramid of people at different status levels, those being on a similar status level being able to interact freely in social situations[1]. The middle class experience of a career leads them to regard the status hierarchy as one which is relatively open and through which one can move freely within one's own lifetime.

Leaving aside the question of the correctness or not of this view of the content of middle class social imagery, it is certainly possible to take issue with Lockwood's view of the middle class work and community situation. At work, as can be seen from table 2.1, the middle class are pictured as having high job involvement, high interaction and identification with workmates, and high involvement with their employer. This may apply most of the way up the ladder, but when one gets to the top of the organisation it is inevitable that the men of the dominant coalition can only interact with those below or on the same level.

A more serious point concerns the community situation of the upper middle class, which in Lockwood's paradigm appears to be drawn from descriptions of local social status systems. The middle class are seen as having access to an occupational community in which they mix with colleagues extensively outside work hours. No doubt the latter observation is correct but it is slightly misleading if we regard occupational communities as being of the closed, claustrophobic type found in certain coalmining

1. Lockwood (op.cit) and refer to Table 2.1 above. See also McKenzie (1975).

areas, where contact outside work is almost exclusively with other workers from the same industry. Further it is at the same time contradicted by the observation that because middle class occupations are small in number (a statement perhaps requiring reformulation in view of the growth of white collar and service industries since the war) members of the middle class have high experience of occupational differentiation.

One other comment must be made about the application of Lockwood's paradigm to the middle class. That is that whilst it is possible to apply a static paradigm to working class experience, simply because middle class careers do involve career progression, and a certain amount of social mobility, it is clear that we need a more dynamic model for the middle class; one, that is, that incorporates their own previous experience. Just as Parkin (op.cit.) sees downward mobility as a potential factor in creating an aspirational value system, so we may see upward mobility as shaping the middle class value system, even though this may be a kind of 'false mobility': as when the child of middle class parents takes a relatively low status job, on low salary, and lives in cheaper accommodation, often in a less sought after location, than his or her parents, with the knowledge that in time they will progress to the parents' situation, or better it.

Against this picture it is particularly interesting to contrast the findings of Pahl and Winkler as contained in a paper by Winkler alone, based on first hand observation of directors.[1] These researchers studied nineteen companies, following the main board directors of each for a full day. Winkler found that:

> ' Most conspicuously absent from the environments of directors were workers. Most directors had no significant contact with manual or clerical staff other than their secretaries. This generalisation applied with equal strength across all the companies, regardless of size or the form of the industrial relations system.'

Where directors came into contact with workers the contacts were brief, sporadic and of a ritualised kind that would not allow the directors to gain any insight into the workers' interests, goals, opinions, problems or personal situations. They conceived of workers as a cost, as in fact they did shareholders, and only managers were differently regarded. Thus they tended to have a normative expectation that the labour-intensive functions of their operations would operate smoothly and without trouble.

How do directors come to know what they do know about industrial relations? Winkler lists eight sources:

1. Normal management hierarchy.
2. Crisis revelations.
3. Consultation and bargaining.
4. One man chains (where a single member of the

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1. Winkler, J.T. (1974).

Board is taken to be in touch with the shopfloor.

5. Personal service personnel.(secretaries, chauffeurs, receptionists, etc.)
6. Past experience.
7. Mass media.
8. Attitude surveys.

Winkler suggests that directors' views of workers were often stereotypes, and inconsistent stereotypes at that. The directors activated those conceptions of workers which best furthered their own long term interests.

Most important, according to Winkler, directors attitudes to workers as revealed in the statements they made privately amongst themselves were strongly 'us -vs- them', or, in Fox's[1] terminology, an 'extreme form of the pluralist conception'. And he goes on to ask 'who is controlling whose image of society?', for since directors view of workers is formed in crisis or bargaining situations, or else from the media, it is not perhaps surprising, after a long history of socialist activism in Britain, and in the light of the view the media take of industrial relations[2], if directors do adopt such attitudes.

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1. See Fox,A. (1966) and the discussion in chapter 1. above.

2. Recent studies of television, for example, indicate a tendency amongst TV news journalists to concentrate on certain industries, and on strikes particularly those disruptive to the consumer, and to emphasise the disruption caused rather than the issues behind the action.

Winkler's findings are an interesting comment on prevailing theory concerning images of society. Firstly they point, as we have done, to the one sided view of such theory, in which members of a dominant class are seen simply as human radio transmitters, giving out 'ideology' or dominant value systems but unable to receive signals back. On the other hand the findings are consistent with current theory; for whilst the traditional proletarian worker, isolated from contact with higher status groupings, adopts an 'us and them' attitude, directors adopting 'us and them' attitudes, are in a position to fashion their own environment, and they do so so as to avoid contact with potentially antagonistic or different groups. Thus their behaviour is entirely consistent with a view of the behaviour of those who feel alienated from another group by virtue of class, status, or power divisions, as put forward in a recent paper by Archibald[1]. As Archibald develops Marx's theory of alienation, members of different classes (or in different power positions) will tend to feel threatened in fact-to-face situations, and will adopt strategies to reduce this, a chief one being withdrawal or avoidance.

Winkler's work cannot be accepted uncritically however. Aside from the very high rejection rate in gaining access to firms, his statement that his findings applied to all sizes of firm, irrespective of size or type, is most

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1. Archibald,W.P. Face-to-Face: the Alienating Effects of Class, Status and Power Divisons. American Sociological Review, 1976.

surprising, and leads one to question the representitiveness of the sample, or the soundness of the technique for obtaining a complete picture of how people think. Winkler criticises questionnaire or interview studies, for inviting and receiving bland assurances, and halftruths, about directors' attitudes and behaviour in industrial relations. Yet, whilst we may accept the evidence of observation of directors' lack of contact with workers, and lack of involvement and lack of concern for industrial relations, we may ask whether the attitudes they were seen to express are necessarily representitive of their views or indicative of their image of society? Could it not be perhaps that only those with strong feelings on the subject, or who were in a bargaining or crisis situation, actually expressed any opinions on the subject. It is these questions which this present study takes up, using a different methodology.

2.5.2. The director as a member of the middle class.

As we stated earlier the term 'images of society' covers more than beliefs about class and status, and reactions to it, it includes also norms and values with respect to these. We can continue our discussion of the directors potential images of society by considering the values that those who have studied them have attributed to the middle class. The larger group of top directors are managers who have achieved their positions by climbing up through the company hierarchy. Thus for part of their careers they have been part of the group Watson[1] gave the name 'spiralists' - men who move from post to post in a hierarchy, these same moves necessitating some geographic mobility as well.

According to one writer, Raynor, (1969) the most characteristic value of such members of the middle class is achievement, though he sets alongside this, in the case of the upper middle class, independence. So far as the businessman goes, it is clear that it is through work that he will assuage his desire to achieve.

Thus the director, and managers below them, share a dedication to career achievement. However Pahl and Pahl (1971) found that there was a certain amount of conflict in the lives of the managers they studied between the demands of work life, and the desire of managers to spend time with their wives and families. The wives of the managers tended to resent the amount of time they spent away from home and Pahl were inclined to doubt whether achievement was so total a value as Raynor had presented it as being. Similarly, Young and Willmott (1973) found the same thing in their study of the work and leisure interaction of managing directors. But in the case of the latter they appeared to be adamant that their wives simply had to accept this.

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1. Watson,W. Social Mobility and Social Class in Industrial communities: Ch.6. of Gluckman and Devons (1964).

Possibly more attention has been devoted to the mobile group of managers administrators and professionals in America than in Britain. As part of this they are studied in the community studies of suburban life; so much so that Berger (1961) maintains that our picture of the American suburb is dominated by studies of this far from representitive group. Perhaps the best known such study is Whyte's, The Organization Man (1957) which examined both the work life and the social lives of American middle class men (whom one supposes to be mainly middle managers). Whyte suggests the rise of a new 'social ethic' replacing the Protestant ethic. The suburban Americans are committed to teamwork and social cohesion in the firm, rather than aggression or competitiveness. They are rootless - prepared to move anywhere at the firm's behest; yet they are adept at putting down roots wherever they are. They show a strong predeliction for joining voluntary organisations; and to ostracising outsiders who will not join in such activities.

The studies of American suburban estates suggest that they are relatively homogeneous. In Britain at least the middle class as a whole can choose more varied environments. Bell (1968) found a mixture of types (spiralist, burgesses, and spent spiralist) in his study of a Swansea housing estate. Similarly, in South East England at least, the better off middle class may leave the housing estates and move to commuter villages. But both here in the towns and in the city suburbs they dominate the local voluntary organisations. (See eg. studies by Pahl and Musgrove[1].)

Because the middle class are mobile they have to forsake the very close ties which many of the working class have with their local areas. This means that kin cannot be relied on for everyday companionship and help, (though as Bell (op.cit.) shows relationships with kin remain strong and kin can provide very important assistance.) Thus the middle class become 'joiners' - partly to meet people, partly because membership of voluntary associations means they have new areas in which to achieve.

Even leaving aside those directors who have not inherited their position or built up their own firm, we can only partly extend the picture we have of managers to directors as well. Firstly because many have long got past the 'spiralist' stage, and have been directors for a long period of time and thus resident in the same area. Indeed those who get to the top may well have had central H.Q. jobs even before they became directors. Secondly,

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1. Pahl,R. Class and Community in English Commuter Villages. Sociologis Ruralis,1965. Musgrove,F.M. The Migratory Elite. 1963. Esp. Ch. 5. Musgrove demonstrates that in "Midland City", professional employees and other middle class groups continued to supply the leaders of voluntary associations, even though they were often migrants to the town. One may doubt the political importance of some of the associations taken, however, (eg. the scouts, guides W.V.S), and we show below that in certain areas of law and political involvement, top businessmen are less involved ie. fewer are JPs, MPs or councillors than they were 25 or 50 years ago. See Chapter 8.

because Whyte's view of the compulsive mixer, enjoying teamwork at work, and committee and voluntary work at home,clashes with the other stereotypes of the achievement oriented manager. Indeed Whyte himself stresses that business executives may be different from the organization men he is discussing. Thirdly because those bureaucrats who make it to the top may be so achievement oriented at work for much of their careers that they have no time to devote to voluntary activities. Such activities may come <u>after</u> they have achieved that directorship.

Finally one must stress (and this will be taken up in Chapter 4.) that the elite are based in the home counties, and work in London. The ties they are represented as having in elite theory are with other directors and other elites (civil servants, politicians) not with members of their housing estate or their village. The elites may take their values and their experience from one another.

2.5.3. The director as part of the upper class and adherent of Tory ideology.

Even a superficial examination of the British business elite indicates that amongst company chairmen and directors are a fair number of the British aristocracy, and others who would perhaps be considered, by virtue of background or wealth, as 'upper class'. Sociologists have not however differentiated the values and attitudes of either the wealthy or the aristocrat from those of the middle class. Veblen's (1899) classic (The Theory of the Leisure Class) was written at another time, and in a different culture; the phrase 'conspicuous consumption' may have been appropriate to the Morgans, Vandebilts and Guggenheims but seems less relevant in Britain.

There have been recently some works concerned with the aristocracy and the gentry, which comment on their value systems, but these concentrate on the landowning ones[1]. Amongst such men, it is said, the ownership of land is regarded as a trust, and large landowners feel a responsibility both to preserve and pass on their estates, and to those who rent and farm them. More generally, Perrott remarks that the aristocracy is marked by a confident assumption of leadership, derived from education, breeding and wealth. Along with attachment to the land goes a sense of patriotism, and a regard for the idea of England and the Empire. All of this is tempered however with an extreme degree of self interest, and a dislike of 'dark industrial areas'.

It would appear then that there is a certain division amongst the dominant class between the traditional rural aristocracy/gentry, with this dislike of dark industrial areas, and the entrepreneurial, managerial

1. Perrott,R. The Aristocrats 1968
   Sutherland,T. The Landowners 1968.

and aristocratic industrialists. Yet two integrating institutions in Britain appear to synthesise the values of the two groups, and disguise their differences. They are the Conservative party, and the public schools.

The Conservative party was, until 1964, in effect the ruling party of this country, and several authors have pointed out its long record in office, which had kept it in power for the great majority of one hundred years, (eg. McKenzie and Silver (1968) and Guttsman, (1963)). If the ideology of any party in any advanced capitalist country expresses the ideology of the ruling class, the dominant class, or the power elite it should be this one.

The ideology may be viewed in different ways. Harris (1972 and 1968) sees it as being to a large extent pragmatic, shifting as required to keep the party in power. Other commentators, notably McKenzie and Silver in the introductory passage to their book on working class Conservatism[1], detect certain continuous strands of philosophy, though they admit this has always been coupled

1. McKenzie and Silver op.cit. See also Buck,P.W. (ed) How Conservatives Think (1975), especially later chapters. The use made here of McKenzie and Silver's analysis perhaps ignores the fact that the appeal of the party to the ordinary voter may be different to that it makes to elites. I.e. in effect the business elite have no alternative to vote for and its specific ideology may not be important to them. But we ourselves did find some businessmen who stood as Liberal candidates in elections, and a very few who vote Labour.

with a pragmatic appeal based on what the Conservatives have done for lower class groups.

As McKenzie and Silver see it, Conservatives conceive man as basically sinful and prone to wickedness or at least greed. Society is an organic partnership which has evolved over time: it is a framework constraining man's brutishness. If it is to be disturbed, the onus is on the reformer to prove the necessity of change. Conservatives make no secret of their belief in the inequality of man: a system of classes is inevitable, even desirable. Yet this belief in the virtues of the class system is combined with an aversion to class conflict. Thus the Conservative appeal is that of 'the party of the whole nation'; the party that will deal fairly with competing claims, give the country strong leadership, (and there is a tendency to look to leaders 'bred' for the task by both the party and voters), and social cohesion.

Harris, in his discussion, is more concerned with the Party's economic policies. He too emphasises that the party has supported different elites at different times: now its support is for the managerial capitalist, and its ideology wavers between two forms of corporatism: (1) étatist, in which the state takes a strong control of the economy, directing the operation of the managerially controlled firms (this is the form of corporatism Winkler (1975) refers to), and (2) pluralist, in which the state promotes competition between different interest groups and different capitalist enterprises. This latter represents a harking back by the party to the period of liberal laissez-faire capitalism. (Harris (1972) does not clearly distinguish between a laissez faire ideology and pluralist corporatism, but possibly he would argue that the party fails to also.) The tendency of the party to waiver between philosophies is of some interest in the context of the competing ideologies of business which we saw in the previous chapter. (See Section 1.12.2 above.)

2.5.4. The Director as Ex-public Schoolboy

The other institution often seen as binding the traditional and the business elites in Britain is the public school. Certainly numerous studies indicate that top directors are most likely to have gone to such a school. For this is a unique feature of British middle class life, and the middle class desire to provide a good education for their children is often in Britain reinterpreted (by members of the middle classes themselves) as providing a public school education if not for all their children, at least for the sons.

It is at the levels of the values and beliefs which they inculcate in which we are interested here. It is of course extremely difficult to know the extent to which values implanted in adolescence are maintained in later life. But it is reasonable to suppose that the parents of children at public schools reinforce and maintain certain values, and indeed if one were able to isolate them, that such values would be more characteristic of the upper middle class than the middle class values that were found on the Swansea housing estate studied by Bell (op. cit.) or in Willmott and Young's study of Woodford (1960).

Lewis and Maude (1949) see the public school historically as having two functions: fusing the old nobility and gentry with the rising monied groups into a single ruling class, and the production of a cadre of Empire builders and administrators. Translated into the twentieth century the new function of the public schools may have been (or still be) to fuse the sons of capitalists, professionals and administrators into a relatively homogeneous group of "managers" who are the business elite forty years on. Thus the culture of say the son of a small Leeds businessmen, educated at a local school, whose company is in the top 200 in 1975, may be more different from that of the son of another capitalist than the sons of professionals and other middle class groups.

No single study adequately encapsulates the values of the public school: drawing on several[1], they would appear

1. See Wilkinson (1968), Weinberg (1967), Bamford (1967), Wakeford (1969). Some useful material on boarding school life is also contained in Lambert and Millham (1968).

to be:

(i) the public schools emphasise self-reliance, (cf. Raynor's stress on independence as a value of the upper middle class). The boy is separated from his family and sent to stand 'on his own two feet'.

(ii) the public schoolboy is taught to accept an authoritarian organisation: discipline is rigid and military-like. A respect for discipline, 'fair play' and 'the done thing' is inculcated.

(iii) the schoolboy undergoes a transition from the most servile position to a position of responsibity in a relatively short time. Unique to Britain is a system of education in which parents pay large sums of money for their children to be other boy's servants (fags). Within four/five years though the boy in turn has his own servant. (Such a transition is often paralleled in directors' minds by the public schoolboys' experiences in industry in the 30's; directors would begin their accounts of their careers with phrases such as "I began as the lowest form of animal life in XYZ company ......")

(iv) but the public school places great stress on the taking of responsibility - as would be expected for schools whose function was to train a corps of administrators for the Empire. Perhaps more than other schools public schools provide opportunities to do this in a variety of situations; as a school prefect, a house prefect, in the military corps, in a variety of societies, in a wide range of sports teams. The intention would seem to be that everybody should take responsibility somewhere.

(v) boys' public schools, till recently, were male only institutions. The justification for this would seem to be that adolescents should not be diverted from legitimate pursuits by sexual activities. What the effects of this are in later life is difficult to know: it presumably usefully inculcates the idea that sex, women or families should not block career success (though managers' devotion to career ~~at~~ the expense of family is certainly not confined to Britain or to the products of the public school.) Ex-public schoolboys seem to favour the system: many directors can leave their all-male boardrooms to go to the all-male clubs.

2.5.5. <u>The director as recipient and sustainer of business ideology</u>.

The final source of beliefs and values held by top businessmen to be considered here is that of ideologies specifically oriented around the interests of business, and to particular business issues. We have already discussed this at some greater length in our consideration of the roles of the businessman in Chapter 1, and thus only a brief recapitulation is necessary.

We saw in that discussion that the tension running through business ideology throughout almost all business periods, is between the need for agressiveness and competition, between individuals and groups, and the need for cooperation, teamwork, and harmony. This tension is to be found both at the level of the organisation, and in society at large. Thus early business ideology stresses the'survival of the fittest', and pictures society as a jungle in which the most successful are successful because they have the qualities needed. Free trade and competition are vital to the interests of the economy. Yet later, after the rise of Taylorism, of the mass productionline, and later still, of the 'human relations' movement, a greater need for teamwork, and cooperation is stressed. This is so, both for relationships between employees at the same horizontal level, and at different vertical levels. Whyte (1957) goes so far as to suggest that in recent times, a 'social ethic' has replaced the Protestant ethic amongst junior and middle management. As these changes have taken place, so managers have come to regard themselves in a different way. The doctrine of the separation of ownership and control, propagated by academics is taken up by managers themselves, who now can picture themselves as 'socially responsible' professionals balancing the various interests connected with the firm.

Yet as we have said, there is always a tension in business ideology: elements of classical free market, profit-maximising ideology still recur alongside managerial ideology. So too, whilst 'social darwinism' was dominant, the view of the firm was often that called by Fox (1966,1973) unitary: workers who went on strike to further their interests were seen as being disloyal, and acting against their own long term interests; whilst Fox's (apparently more recent) pluralist perspective would somehow have to be superimposed on the harmonious, teamwork view of the firm. Likewise business ideology, like Tory Party ideology, from time to time emphasises the national interest, and the dangers of the power of sectional groupings, whilst being ambiguous as to how far the state should intervene to forcibly reconcile the interests of such groupings. In the same vein, a free market and rampant competition may be in the 'national interest' at one moment; whilst at another merger and takeover to build up large firms ~~to give~~ a near monopoly in the home market may also be in the national interest, so that the country can compete internationally.

Thus business ideology is a source of competing themes; some of these may have had their day and gone; others wax and wane with the fortunes of the country and of businessmen.

2.6 Sources of Variation in Businessmen's Images of Society.

In the previous chapter it was seen that businessmen could be of several types depending on their relationship to capital at birth and later in life. They may be the inheritors of the family business, who are destined from birth both to own large amounts of industrial capital but also to control the enterprise in which much of that capital reposes. They may be entrepreneurs who have built up an enterprise and who hold considerable capital in it. And they may be managers, men who have climbed the organisational hierarchy, and who may have acquired capital as a consequence of this (in contrast to the family businessmen who have position as a result of capital). These groups superficially have similar power - as directors, or chairmen, of public companies they are supposedly in similar positions but it is clear that differences of class position give to the entrepreneurs and most family owners more power than to managers.

The notion of the finance capitalist is a further complication. The banker, or the director of any financial institution, controls money; and this control of money can in a sense place him in lieu of the individual capitalist in relation to industrial firms. Yet amongst finance capitalists there is the same variation of personal relationship to capital. Thus the term 'finance capitalist' covers both the merchant banker whose family have run the same bank over many generations (the Rothschilds, Hambros, Barings); and the entrepreneurs (Warburgs). and the investment managers of the insurance companies, pension funds and investment trusts (eg. the managers of Commercial Union, Legal and General or the Prudential).

These distinctions refer however only to what Giddens (1973) has called the 'primary structuration' of classes. Following Giddens we may say that the exact form of class in capitalist society depends on a variety of secondary features of structuration, though we may dispute with Giddens as to what these are. Equally it is not primary or secondary structuration that brings to members of society their awareness of their own position, their sense of moral order, or alternative conceptions of it, rather it is their own experiences, both current and previous that bring these about. In this chapter we have suggested, on the basis of current literature, something of the nature of middle and upper class, and business elite experience in Britain and the attendant sources of ideas, beliefs and values.

The problem remains of how we can usefully bring these together, so that in our own study of businessmen we can see how the various elements coalesce. As a means therefore of recapitulating what we have said, and allowing some synthesis, let us consider some potential alternative biographies that the present generation of businessmen could have passed through. Here we are trying to leave all possibilities open. Later in the empirical study we shall examine just how businessmen's biographies differ or confirm to these.

The businessman may be born into a capital holding family, or he may not. We have almost no studies of the career, or lifestyle of men who took over the family businesses. We know that the majority of the successful financiers, and industrial businessmen and managers are born into middle class families, and receive public school education. Thus most businessmen early in life acquire the middle class values that emphasise (Section 2.5) the importance of individualism and achievement. Such values in any case are essential for all who wish to succeed within the hierarchy of management. Those who do attend public schools experience an environment, and perhaps a view of organisation, that is masculine dominated, authoritarian, hierarchical and highly disciplined.

The public schools also emphasise the importance of taking responsibility, and of giving leadership. We expect that the family businessmen at least will get their chance quickly, proceeding almost automatically into higher managerial roles, followed by directorships, in the family firm. The managers may pass through an enormous variety of routes on their way to the top: (see though Clements (1958) for a discussion of these and Chapter 4.). They can obtain professional or university qualifications, and enter specialist staff roles in the firm, they can go through the sales, commercial, personnel, finance or other functions; and they can take up direct line positions. If they are to succeed, though, it seems that work life must always be placed on a par with family life. Their career progression may demand extensive geographic mobility: they must be able to sever everyday links with family and kin, and be able to make repeated moves to new communities: the problems of making and maintaining friendships that that involves suggest that such people either mix readily and willingly with workmates wherever they are, or else readily join voluntary associations and community activities wherever they go.

The experience of the entrepreneur however may well lie outside all this. Our very brief discussion of the literature in this area (Chapter 1.) suggests that the entrepreneur may come from amongst poorer or socially marginal groups, but is more likely to be distinguished by being a certain personality type, fundamentally a type that finds it hard to take orders from others or bow to the disciplines of work life. The entrepreneur almost certainly works for other people before he cuts loose and establishes his own firm; but once he has done so his experience is quite different from that of the family businessmen or manager. Members of both the latter groups are subject to the disciplines, and orders, of those above them for most of their careers, and even the board is not completely a committee of equals; the entrepreneur is not in this position, and may hold very different values and have a different perspective on life from these other two groups.

Once a man reaches the main board life may change somewhat however. Probably the pressure of work will not decrease at all, nor will the travelling involved, but the years of 'spiralism' will be over. The director can now expect to settle in one place, (and we will seek to show in Chapter 4. that that is most likely to be the South East.)

One aspect of work experience may be remarked on. If we accept Winkler's finding that main board directors have very little or no contact with manual or clerical workers, then it follows that it is experience prior to the board room that may well be drawn on in formulating ideas about the nature of class, about the opinions and aspirations of members of other classes, and so on. Thus we expect career patterns, differentiated in terms of the extent to which they allow for greater or lesser contact with manual workers, (or groups of similar status such as clerical workers or shop assistants) to be of some importance in accounting for such variation of images of society as there are. At its crudest, we do expect the accountant (or financial director to take a different view from the production director, although the present concerns of both may preeminently be with strategy formulation, capital allocation, budgeting and cash flow.

It is only when on the main board that the director is generally considered to play to the full the three major roles accorded to him in theory and discussed in the previous chapter. That is the roles of economic allocator, of political influential and of ideologist. In practice it can be argued that the role of economic allocator is often one played by men outside the main board as well as those on it: and further that many directors never enter into the other two at all. It is not clear therefore the extent to which such roles themselves generate a sense of eliteness, or whether in practice it is occupying the formal position of director that does so. As a hypothesis one may suggest that the contact with elites outside the firm (eg. with political, administrative or professional elites) that may be enjoyed by the chairman and some other directors may lead to a realisation or conceptualisation of being part of a national power elite.

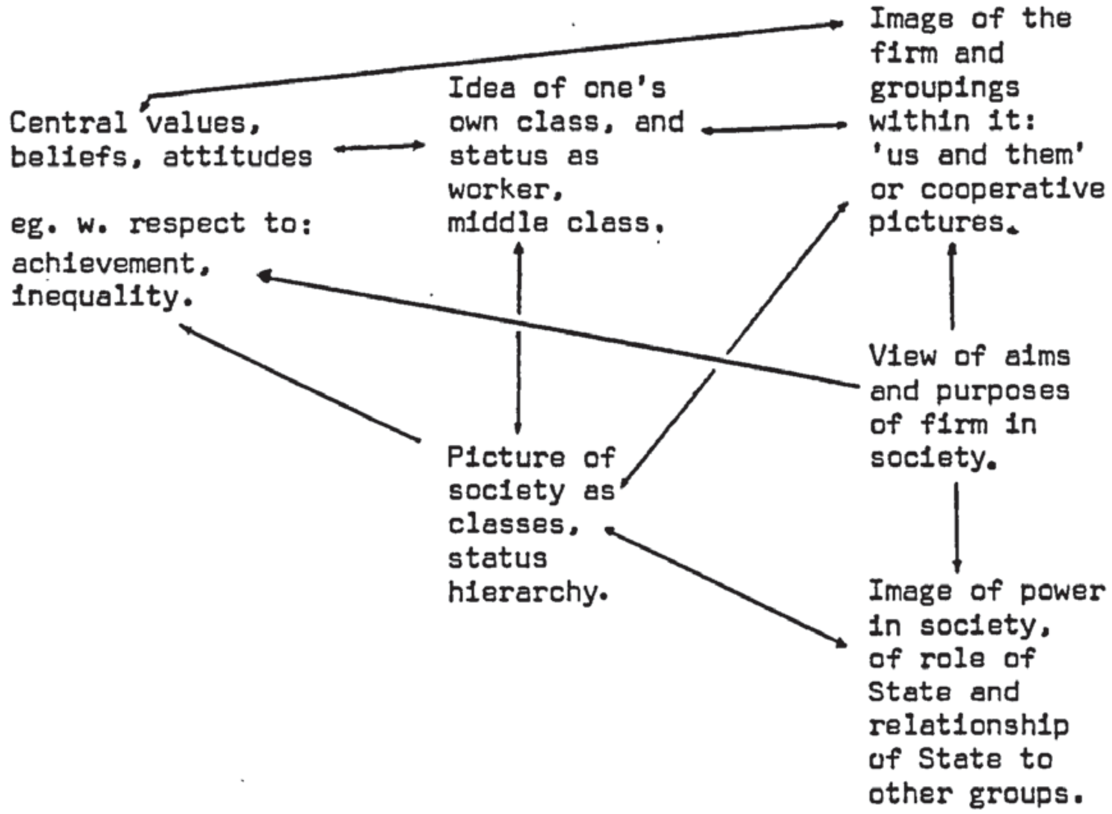
We have pointed to two forms of ideology from which businessmen may derive their ideas, and to which they may contribute: these are the specifically business ideology and the ideology of the Tory party. In some areas these coincide and reinforce each other but in some ways they may also contradict one another.

The object of the empirical part of this study was to investigate the social imagery of the business elite and to see how it compared with these ideas drawn from current sociological literature. As we have seen because the group concerned has much wider experience than the manual working or lower clerical classes, we expect their values, beliefs and images, to be generated by far more complex combinations of experience and other influences than those of the former.

We must however make plain certain assumptions that are implicit in our view of the interrelationship of experience and social imagery. Firstly we follow Rokeach (1968), in seeing values and beliefs as varying along a continuum of centrality; such that the more central a value or belief the more firmly it will be held. Thus where two beliefs (or values) in practice are brought together and found to be conflicting, the less central one will be dropped. (But individuals may hold inconsistent beliefs if the inconsistency is never made apparent to them.) As a central value of the middle class, for example, we have suggested the view of individual achievement as being very important.

Aside from this we suggest that it is partly implicit in the sociological literature, and we intend to take it as an explicit hypothesis here, that the images of different institutions, institutional arrangements and of society as a whole, held by people 'match up'. By this we mean that, in this context, the view of relationships in the firm that an individual has will reflect his own value system, but will also have an echo, a parallel, in the way he sees relationships, and groupings in society. Thus a worker who views the firm as split between 'us' and 'the bosses', will likewise view society as split between 'us and them'. Images of society comprise not only a picture of social groupings in society, but also of the distribution of power in society; of the relationships at work, and values with respect to these, and the appropriate action the individual should take. Thus we assume these are related, interconnected at the cognitive level, and represent this as shown in Fig. 3.

Fig. 3. The internal composition of 'images of society'

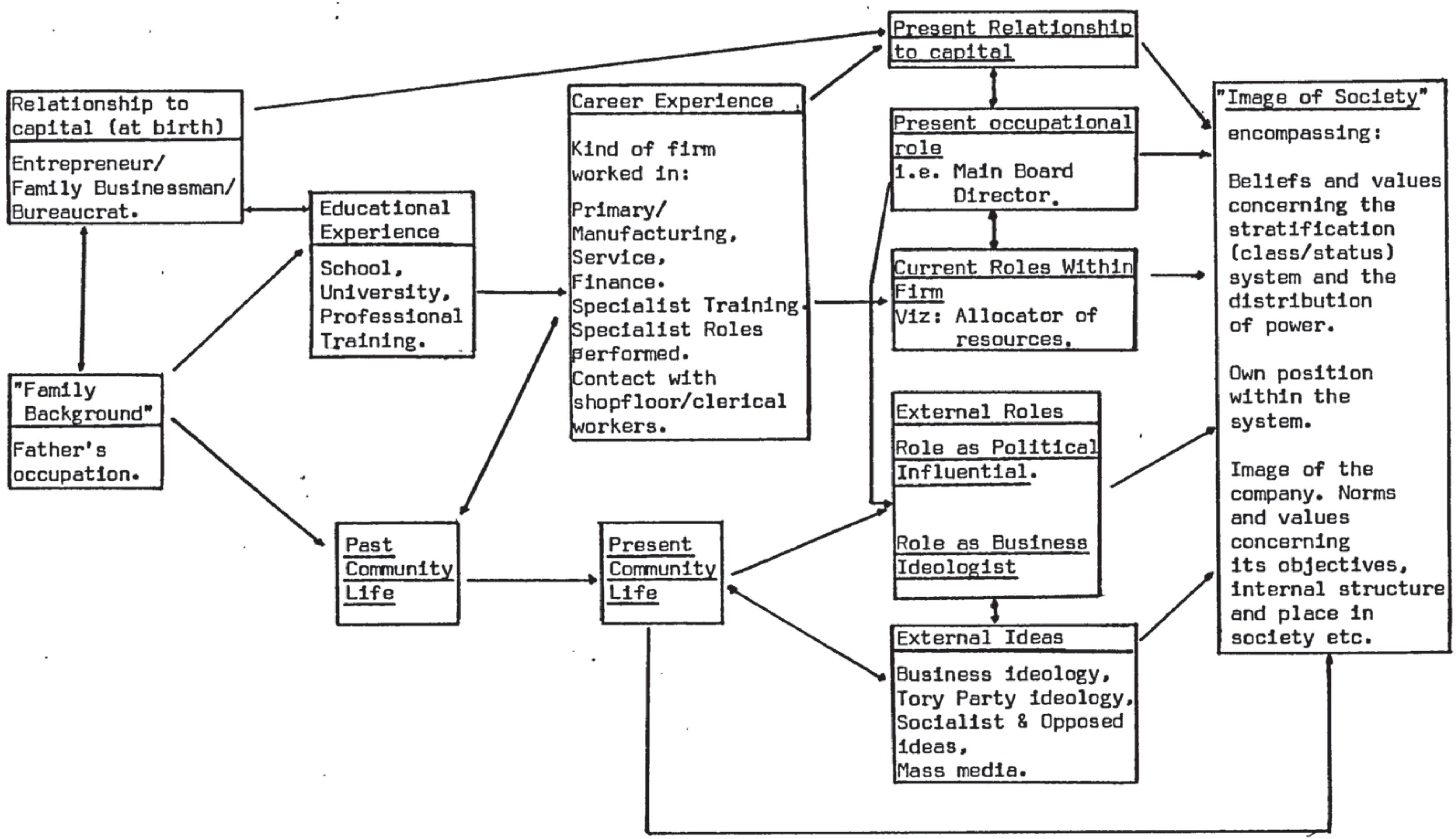


In the above figure certain direct connections have been drawn in: clearly, for example, how an individual views the structure of society will certainly be related to his own view of his position within it. However it is a consequence of our understanding of the literature that all the circles are to be thought of as connected in a manner than endures over time. Naturally some connections may be stronger than others: to value achievement may only be loosely connected with seeing society as run by a power elite.

A further assumption made here is that first hand experience - ie. experience gained in primary groupings, in direct relationships will be of more importance in shaping beliefs and values than indirect or secondary experience. Thus in the case of businessmen we assume, for example, that their view of the lower groupings of the class/status structure is formed by such contacts that the businessmen have had in managing such groups during their careers, or living amongst them (as a child, or young adult) or in other first hand contact. We assume that secondary sources (reading books, reference to the media, or stereotypes circulated by fellow businessmen) are used in the absence of first hand knowledge, or where first hand knowledge is assumed to no longer be relevant (eg. being born in a slum, but believing that slums no longer exist).

Drawing on these assumptions, we have drawn up Figure 4. which indicates the associations to be expected between experience and images of society. We repeat that areas within the dotted line are all expected to be interconnected. However the diagram shows only the more direct connections.

Chapter 2. Fig. 4. Objective and Subjective Aspects of Businessmen's Meaning Systems



2.7 Summary

We began this chapter by discussing the different norms and values and equally the beliefs and aspirations of the middle and manual working class in British society. We discussed particularly Lockwood's model which attempts to relate varying work situations and community structures to the images of society held by different groups. The middle class do figure in this typology but they appear to be added almost to complete the paradigm; and it is clear that there have been far too few investigations of the variation of the images of society held by the middle class.

We pointed in turn to the potential strains apparent in the business view of society. We suggested also some important additional sources of social imagery:

1. They are highly achievement oriented; inclined to view their careers as a progression up a ladder or a hierarchy, and one in which, until its final stages, they rarely stop moving. This may incline them towards viewing society itself as a 'status' hierarchy on which all are in motion, all are positioned according to their talents, abilities, training and energy.

2. The public schools dominate their education; their values: leadership, discipline, self reliance, and the importance of taking responsibility.

3. Such values are derived from and mirrored in the values of the landowning aristocracy. Here the assumption is that leadership will be given to those of breeding, education and wealth.

4. Another source of social imagery is the specifically business oriented ideology discussed in the previous chapter. We saw that this was marked out by competing themes: individual leadership by those whom competition had best fitted to the role, versus organisation, teamwork, and cooperation; economic laissez-faire capitalism versus self-regulating managerial interest-balancing capitalism; or again unitary firms led by authoritarian bosses versus competing interest groups. We have seen that such themes coexist uneasily together.

5. Yet an alternative source of ideology is the Conservative party: men are unequal and destined to remain so. Classes are inevitable. Men are selfish and competitive, and thus the State is a necessity to protect men from their baser instincts. Equally class conflict is avoidable and undesirable. The national interest overrides any sole class interest.

We brought together all these possible objective determinants of the images of society held by top businessmen, into one rather general model. A central assumption of this, that we take to be implicit in previous work on images of society, is that beliefs and values about some social institutions will be paralleled by beliefs and values about others. Specifically we expect beliefs about relationships within the work enterprise to be paralleled by beliefs about relationships between social groups more generally. The empirical work reported in chapters four to eight below allows us to make some simple tests of this central assumption, and of our piecing together of the evidence about businessmen's meaning systems.

CHAPTER 3

DESIGN AND METHODOLOGY OF THE STUDY

CHAPTER 3

DESIGN OF THE STUDY

3.1 Introduction

In this chapter we discuss the methodology utilised in the empirical work which forms the major part of the study. In summary, we shall indicate here the reasons for choosing to use a methodology that consisted primarily of open ended interviews with members of the business elite. We discuss the four stages of the sampling procedure; and the sample of men to be interviewed that resulted from this. We also give some attention to the problems of the method.

3.2 The Problem of Obtaining Access

At several points in the discussion of the previous two chapters we have pointed out that research on elites in Britain has been distinguished from other research in the fact that very little of it has involved the researcher in any direct contact with members of the elite whatsoever. This has been remarked on by other writers amongst them Ivor Crewe who summarises British elite studies thus:

> ....' (1) Make no attempt to analyse the whole of the British elite structure, study only one elite group at a time. (2) Select the single elite group on grounds of accessibility and the clarity of its boundaries rather than its importance within the power structure of Britain. (3) Focus on the elite groups' collective biography - on who they are (or more likely, were) not what they believe (ideology) or what they do (roles). (4) Exclusively focus on its

> economic, educational and demographic origins. Thus the typical conception of an elite group for British social scientists consists of the incumbents of the top echelons of clearly structured and bounded social organisations which appear to possess manifest power or prestige; and the customary way of understanding its nature is to analyse its social origins. .....
>
> This is a caricature of British elite studies, but not an unreasonable one'
>
> (Crewe, 1974, pp.12-13)

Despite this critical statement, in the collection of papers that follow it, as in two well known collections devoted to theory and research on elites and power (Urry and Wakeford, 1973; Stanworth and Giddens, 1974) there is but one piece of research that would have necessitated even seeing a member of any elite in the flesh (i.e. the paper by Pahl and Winkler in Stanworth and Giddens).

In this research we had as our initial objective an examination of the beliefs and values of business leaders; more particularly an examination of their 'image of society' in the light of our expectations of how these would be generated according to existing sociological theory. We were also interested in examining the firm itself as seen by those who controlled it, and in investigating how their view of the firm shaped, or was shaped by, their view of social relationships more generally. It was essential that we should study these at first hand; for although business ideology, as we have defined it (see Chapter 1) does treat extensively of relationships within companies, or at least a normative version of how these ought to be, businessmen do not speak publicly of their view of class structure, or class relationships.

In any case we have already suggested (Chapter 1) that the ideology of a group, as put forward in its public utterances, should be kept at least theoretically distinct from the set or sets of beliefs, values and attitudes that members of subgroupings actually come to hold. Business ideology cannot be assumed to be an accurate portrayal of the private views of businessmen. It was thus of major importance to adopt a methodology that allowed us direct access to the business elite.

However, obtaining such access seems to have been assumed to be a major obstacle in elite research.[1] There were indications though that the problem had been exaggerated. In the United States sociologists have had access to elites for a number of purposes, as can be seen in the work of both Hunter (1953) and Dahl (1961). An even more pertinent example is that of Dexter, who, with his coworkers interviewed some 900 businessmen on their attitudes to trade tarriffs. (See Bauer, De Pool and Dexter, 1963) Dexter's book on elite interviewing contains much useful advice drawn from his experience (Dexter, 1970). Kincaid and Bright (1957) do report some difficulty in gaining access to business men for interview purposes, but Dexter suggests that this is because the subject of the proposed interviews, civil defence policy and preparations, is not one that businessmen feel is of any significant importance to them in their work role.

With hindsight it is possible to say that in the British case there was no reason to suspect that access would

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1. One well known British sociologist declined to discuss his or my research with me, stating that his own proposed research on elites had been refused funds on the grounds that access to businessmen would not be possible.

be any more difficult. Nichols (1969) obtained cooperation from 16 out of 19 companies approached for his Northern City study; although there may have been some self-selection amongst those who were actually interviewed. Child (1972) who interviewed both chief executives and other directors of business firms for his study of organisation structure does not report any problems in obtaining access. More recently Headey (1974) has obtained extensive interviews with cabinet ministers and civil servants; and Grant and Marsh (1977) have interviewed businessmen on their views of the CBI.[1]

It was however expected that some methodologies would have more success than others in terms of obtaining access. Pahl and Winkler (1974) found that only 15% of the firms they approached agreed to cooperate in a study in which each of the company's directors was to be observed at work for one complete day, and this despite the fact that the study had the backing of the Institute of Directors. Similarly businessmen are not responsive to questionnaire studies. Heller (1973) reports only a 55% response rate in a study of directors' educational and other characteristics for the magazine Management Today. In other questionnaire studies, Hall and Amado-Fischgrund (1969) had a 25% response rate; and Peterson (1971) received back 177 out of 571 questionnaires (31%) mailed to chief executives in 42 countries.

For a conjunction of reasons set out below it was decided to use the technique of open-ended interviewing using

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1. On consideration this paragraph is somewhat sweeping. In a private note Theo Nichols has pointed out that it took him some two years to achieve interviews with 65 directors in one Northern town. John Child states that there were some problems, not with obtaining access but with the length of the time required. We do not wish here to play down the problems of obtaining access, merely to point out that it is possible.

a semi-formal schedule as the main method of data collection. Questionnaires left behind with executives to fill in themselves were used at one stage to research one aspect of perception of social status in Britain which it was found difficult to ask questions on in the interviews. In our case this was not a successful strategy, mainly because of the nature and design of the questionnaire. The reasons for settling on the open-ended interview as the method of data collection were:

a) Since no comparable study had been done, and since we were prepared for a high rejection rate this was seen as an exploratory study, and the technique of asking open ended questions was seen as allowing respondents maximum scope to put their own views, and to utilise their own frameworks of values and norms, rather than one imposed from the researcher.

b) We wanted to treat the elite as other groups have been treated in studies of 'images of society'. The open ended interview has become probably the most widely used technique in such studies, and we could therefore hope to make some comparisons with such studies.

c) We wanted to obtain all shades of business opinion, and to obtain correspondingly the maximum response rate. The invitation to businessmen to 'hold a discussion' or be interviewed seemed to most likely way of achieving this in view of the studies mentioned above.

d) The most obvious alternative to interviewing was direct observation, and at least one researcher has maintained that the latter is by far to be preferred, as businessmen make different statements in public to those they make in private. (See Winkler, 1974). However it seemed unlikely that observation of businessmen would reveal them in situations where they would make references to one of the central topics of the interviews, that is social class and status. Thus very extensive observation would be required to collect sufficient data that would be relevant. We accept the need for more observation of the business elite, and we return to the issue of how far one can accept what businessmen say, that is, their sincerity, below. Part of the interest of this study is the comparison which may be made with Winkler's findings.

3.3 Details of Method

3.3.1 Construction of Sampling Frame

It must be emphasised that this was regarded as an exploratory study, and that initially we did fear that access would be so poor as to make any study impossible. As a result of this the sampling was done in four stages. It should further be noted that the interview schedule was altered by the exclusion of some topics and the inclusion of others after the first sixty interviews. This puts some limitations on the final analysis of the data, most particularly in the analysis of lobbying, and political influence, made in Chapter 8. This was an unavoidable consequence of making such a study in an area where there was almost no previous research experience to call on.

The sampling frame was constructed from the Times 1000 lists of largest companies. It consisted of two sections, one taken from the main list of commercial and industrial firms, the other from the tables of largest merchant banks, insurance companies, and property firms. Throughout this study we refer to the first group as the 'commercial companies' and to the second as the 'financial companies'. Amongst the former we make a crude distinction between those with at least some manufacturing interests, and those which are completely or very nearly completely service companies (e.g. retail chain stores, importers/exporters, publishers, advertising agencies). Clearly since a number of large firms are now divisionalised conglomerates, sometimes with one division in manufacturing, and others in service sectors, all we have done is to sort firms with no manufacturing activity from the rest. However because we were concerned with possible contacts by businessmen in their careers, or currently, with manual workers, we wanted to discriminate between firms where this was at least possible and those where it was not. (Construction, building and mining were therefore classified as manufacturing activities on the same basis).

Amongst all types of firms we wanted to discriminate between directors by their relationship to capital. We utilise throughout this study the following distinctions between what we call <u>bureaucrats</u>, <u>family businessmen</u> and <u>entrepreneurs</u>:

1) We call those whose fathers, grandfathers, or other relatives began the firm they now head, or a substantial part of it, and who hold substantial capital holdings in the firm, <u>family businessmen</u>. To establish which were such men required investigation both of the man's shareholding, and something of

the firm's history. (Examples of such men are the Cadburys, Sainsburys, and Lord Cowdray). We do not include among this group those men whose fathers headed the firm they now head, or were directors or senior managers in it, but who were not founding families, or who do not hold controlling shares. (e.g. Sir Reay Geddes of Dunlop) We regard the family businessmen as the group most likely to hold the attitudes, such as they are, of the capitalist. They are even more members of the bougeoisie than, for example, the entrepreneurs because their families have held wealth over generations.

2) The second group we call the <u>bureaucrats</u>: they are men who began their careers at the bottom, or more usually as graduates or in a professional capacity, and have climbed to the board through the management hierarchy. (Examples: the heads of ICI, GKN, Tube Investments). Needless to say the term bureaucrat is not used with perjorative intent.

3) The third group are the <u>entrepreneurs</u>; men who began the company they now head, and have built it up over the years; or by merger, and/or takeover, have put together a large firm. It is deciding who should come into this group which can in some cases be difficult, since some men who seem prima facie to fall into this category turn out to have begun with small family businesses. Thus Sir Jules Thorn, Sir Isaac Wolfson, Sir Charles Clore are obvious candidates for inclusion; but Sir Arnold Weinstock or Freddie Wood (of Croda International are perhaps more doubtful cases.

The distinctions drawn here are similar to those used by Bendix (1956) and Clements (1958), although the latter further distinguishes amongst bureaucrat managers by their career patterns. The relevant information to make the categorisation used in this study can be difficult to find in practice for smaller companies, but for the purposes of this study it was a very useful one to make.

The third way of categorising firms was by size. Multiple criteria are available here: turnover, assets, numbers employed and so on. For our purposes therefore we took all wholly British-owned firms outside the top 250 by turnover as being small firms, that is firms in the range 251-1000 of the Times 1000, and where we refer to <u>small firms</u> in this study it is to this group that we refer.

Amongst the top 250 we used multiple criteria. Again foreign-owned firms were first excluded. Then we took firms in order of size by turnover excluding those not also in the top 150 by size of assets, to give a list of 90 firms which here are called <u>large firms</u>.

The remaining firms were then excluded if their assets fell outside the top 250 in order of asset size, to give a list of 98 firms which are called <u>medium sized firms</u>. The effect of excluding firms in this way is to exclude a small group (such as commodity brokers, or importers) which have a very large turnover relative to their assets.

A breakdown of these top 188 wholly British owned companies (i.e. "large" and "medium sized" firms) indicated that 129 or around 69% are headed by bureaucrats; 42 -22%- by family businessmen and just 17 or 9% by entrepreneur-tycoons. No equivalent analysis was made for financial companies, nor was any attempt made to order them by size, although data on the numbers they employed was collected.

In view of the lengthy discussion in the literature as to the extent of shareholding required for control (see Chapter 1), and the possibilities of control by hidden interest groups, we must state that our breakdown of the bigger firms by type of control, that is bureaucrat, entrepreneur, family, was done primarily with a view to position vis-a-vis personal holdings of the top one or two executives, whom we hoped to interview. If hidden control is exercised by interest groups or financial institutions then there may be, amongst the firms apparently controlled by bureaucrats, a number that are subject to such control. We discovered no revelations of such control, but the interviewing was not designed to reveal it.

The financial firms were all placed together as part of the same sampling frame, although banking, insurance and property are in principle quite different activities. However in the examination of the interview material, men from the three different areas were analysed separately.

3.3.2 The Four Stage Sampling Procedure

The four stages of sampling were:

1. As an initial sample, and in order to establish that a study of this kind would be possible, we took a random sample of chief executives from the commercial and financial sectors. We took both sectors because we hoped to compare them, but we took more commercial firms because we hoped also to compare the heads of manufacturing and service companies. This initial

sample was made on a completely random basis, except amongst small (i.e. below the top 250 by turnover) firms where we only took firms based in the South East. This made the heads of smaller companies more nearly comparable to those heading most large firms, as the latter tend to live in the South East.

The initial approach was made to 133 chief executives, 87 from the commercial sector, the remaining 46 from the finance companies. Of these 63 (47%) accepted the invitation to be interviewed, and it was found possible in fact to interview 60 of these (45%). 39 of these chief executives worked in the commercial sector, 21 in financial firms.

2. The response from the first stage was considered to be encouraging, and a preliminary analysis was made of some of the material. (See Fidler, 1974) At this stage it was hoped that the study could be developed by comparing directors in different functional specialities in the firm; such as marketing, finance, production and so on. Therefore a short report on the interviews was prepared and sent to those who had taken part, asking them to suggest directors on their firms' Boards who would also be willing to be interviewed. It was hoped that, as the chief executives had already proved cooperative they would be sufficiently interested to persuade their fellow directors to take part.

This was not a successful tactic. In the event only 19 such interviews with full time directors in 10 different companies were obtained, and three of the latter were financial firms. The men came from a variety of specialities. All the 16 commercial company directors came from firms within the top 250 by turnover.

These men were interviewed, and extensions to the questionnaire were piloted on them. However they were a group which was not only self-selected to a greater degree than the original sample was but were too small to allow for comparisons of men working in different functional specialisms which had been the intention. Thus throughout this study much more weight has been placed on the evidence obtained from the chief executives, and in many of the tables the directors are shown separately.

3. All the interviews in the first two stages were with men at the workplace and were limited by constraints of time. We now decided to see if we could obtain longer, in-depth interviews, which possibly would give some insight into the home life of the businessman.

We therefore contacted all-the eleven chief executives of large firms (again those in the top 90 by the method outlined above) who had retired in the year between May 1974 and April 1975, and asked them for interviews. We obtained interviews with nine of the eleven.

These interviews were very useful, in that we were allowed considerable lengths of time, in some cases most of a day, and they thus provide almost case-study material. In practice however we went to the men's homes in only five cases; the others we saw at their clubs, or offices of firms where they retained non-executive directorships.

Again these men are not strictly comparable to men who are still working full time, but it has been felt to be justified to include them for most of the discussion. Although retired, they had left office in all cases within months of the interviews;

and usually retained some business interests. More important it seems very unlikely that men can on retirement change the pattern of thought of a lifetime, and the study was concerned with their patterns of thought. Clearly there was little point in asking questions about the current strategies or policies of their companies, and some questions had to be left out or rephrased. Otherwise this group showed little apparent difference from the other chief executives of similarly sized firms.

4. In the final stage of the study it was decided to concentrate on the chief executives of medium and large commercial firms, and sampling was done only amongst these. There were several reasons for this. Firstly it was by now clear that access was as easy to the heads of large firms as small ones, and since we were interested primarily in the business elite it was clearly sensible to take only those men who most clearly held that status. Again experience of the second stage had showed that choosing just one man from each firm gave better results than appealing for help from the directorate as a whole. We certainly did not wish to interview non-executives, but from published statements of companies it is hard quite often to tell which directors are executive and which are not.

However the decision to approach chief executives again posed a difficulty with regard to men in the finance sector, as, having approached 47 in the first stage, there were very few left in the original sampling frame, and no suitable additions. We therefore decided not to approach any more men from this sector. This leaves only a small comparative sample in this study, which must therefore be considered primarily as a study of men in industrial and service companies, excluding the City.

However, we still did wish to be able to compare 'capitalists' with 'managers', or bureaucrats as we call the latter. We therefore wrote to all the entrepreneurs and family businessmen heading firms amongst the top 188 on our multiple criteria who had not been hitherto approached, plus a number of bureaucrats chosen at random. It was now that one particular problem of access became apparent: of 37 bureaucrats successfully approached (i.e. those confirmed as receiving the letter) 21 or 57%, agreed to be interviewed; likewise of 38 family businessmen receiving letters, 18 were interviewed. But of 15 entrepreneur-tycoons approached, only 3 accepted. Clearly then it is the latter group which presents the true problems of access for the social scientist. We may therefore summarise the final sample of men who were interviewed in tablature form, and this is done in Table 3.I below.

We can in no way claim that this is a representative sample of the British business elite. It does however contain a reasonable balance of men from manufacturing to men from service firms, there being 66 of the former and 39 of the latter. Further as it happens, amongst the 111 chief executives 9% are entrepreneurs, 22% family businessmen and 69% bureaucrats which corresponds to the overall breakdown of the 188 largest companies as we gave it above. The balance is similar amongst the chief executives of commercial firms taken separately also. However it must be remembered that whilst we had relatively good response from the entrepreneurs heading small firms it was poor amongst the comparatively well-known

Table 3.I Summary Table of final achieved sample.

		Chief Executives			Other Directors
		Entrepreneurs	Family Businessmen	Bureaucrats	All Bureaucrats
Large	Manufacturing	1	5	27	11
	Service	1	5	8	0
Medium	Manufacturing	2	4	6	0
	Service	0	4	5	4
Small	Manufacturing	3	1	6	0
	Service	1	3	8	0
All	'Commercial'	8	22	60	15
	Insurance	0	0	9	3
	Merchant Banking	1	2	6	1
	Property	1	0	2	0
All	'Financial'	2	2	17	4
	(Total = 130	10	24	77	19)

men who have built up firms so large that they come into the top 188.

What we do claim for this sample is that all types of men, all shades of opinion and viewpoint are likely to be present in it. Certainly there can be no doubt that a very high proportion of those interviewed are members of the business elite group by most definitions, and that they may be assumed to play (or did) the roles ascribed to the elite in Chapter One. By way of illustration amongst those interviewed were: four men who at some stage had headed nationalised industries; a former president of the CBI and several members of its grand council; a former Lord Mayor of London; two ex-MPs; and 16 known millionaires. As can be seen from Table 3.I 47 chief executives from the 90 largest British firms were interviewed (though some of these were retired) and this includes five of the heads of the top ten companies by turnover.

3.3.3 Design of the Interview Schedule

The interview schedule, which is reproduced in Appendix 1, was intended to allow the executives who were to be interviewed to reveal in their own words their picture and values concerning inequalities of reward, opportunity, status and power, firstly in the firm and then more widely in society. The schedule consisted of a series of standard questions which were always asked as far as possible with the same wording. However additional questions were used as necessary. Further, when issues were raised by the respondent spontaneously these would sometimes be discussed prior to their usual place in the sequence of questioning. This helped to give the interviews more of the feel of an informal discussion which set the respondents more at ease.

The original interview schedule began by asking the person being interviewed to outline his career from the time of leaving full time education. Aside from the intrinsic value of this as part of the data collection process, it was felt that it would serve to get the man concerned talking freely. This section was retained throughout all the interviews.

The first main section of the interview questioning dealt with aspects of conflict and consensus in the company. The interviewee was first asked to set out the goals towards which he saw himself as directing the organisation at that time. In later interviews this was augmented with questions concerning the responsibilities of the company director, and of the effect or lack of it of a family connection with the company.

Following the statement of his own goals for the firm, the executive was asked to what extent he saw other groups as sharing these goals. The discussion then moved to areas of potential conflict within the firm, especially that between management and other employees. Finally in this section the man was asked about his attitudes to trade unions for different groups within the firm.

Further aspects of the original schedule dealt with the basis on which people are, and should be rewarded in the firm; with the question of whether the executive was aware of a boardroom cabal or clique (a question prompted by the work of Pahl and Winkler, 1974) and in a crude way with status and power in the firm. Finally the interview moved specifically to a discussion of class and status in society more widely.

After the first sixty interviews some parts of the schedule were analysed and these in the main dealt with the question of the goals for the firm; of some aspects of industrial relations; and of power within the firm. A preliminary report was made (Fidler (1974)).

However it was clear that while some parts of the schedule were producing interesting data, those dealing with the executive's own rewards or rewards more generally in the firm, and of status and power in the firm did not justify their inclusion in their original form. Thus on the question of rewards in the firm, the executives either affirmed their belief in the free market for wages, or else of a job evaluation scheme, or sometimes both. The questions on status and power produced little more than an advocacy, or affirmation, of the necessity and correctness of the firm's formal hierarchy.[1]

The interview schedule had presented another difficulty which was not originally foreseen. This was that in the discussion of class and status in society it was clear that the businessmen by and large tended to regard themselves as part of a middle class, variously defined, and their statements about class and status revealed little about them as a politically influential grouping.

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1. This is reminiscent of Clegg's attempts to ask formally about power within an organisation. Clegg gives an interesting discussion of the nature of, and acceptance of, the power that is 'embedded' in the very concept of organisation, or rather organisations as their members expect and perceive them to be. See Clegg (1975) esp. Ch.4 and Ch. 7.

It seemed that this issue, the issue of power in society, was perceived by businessmen as being distinct from the topic of class, or else that they did not see themselves as a political elite, although they may in fact have such influence. We therefore wished to add a section to the schedule dealing with the power as businessmen saw it of themselves relative to other groups, and of ways and issues on which they might seek to influence state officials. The decision was taken to cut the less useful sections of the schedule and to add in this new area of questioning.

Thus not all those who were part of the sample were asked all the questions set out in Appendix 1; specifically the first sixty men interviewed were not asked in any depth about influencing government. This is to be regretted, but it was clearly desirable to make the change in the schedule.

A consistent problem was the choice of wording in the basic interview schedule, and this can be seen most clearly with respect to questions about social class. Here, as elsewhere, it was thought desirable not to use any terminology that would suggest an 'image of society' to the respondent, and various forms of wording were experimented with in which the word 'class' was not used in the question at all. It was soon found however that only questions phrased in a relatively direct form produced a useful response here. In this particular case a modification of the question used in the Affluent Worker studies (Goldthorpe et al., 1968) was used, which in this case was: "People talk of there being classes in our society, how do you see this?" Elsewhere other questions were taken from studies concerned with similar topics, with suitable modifications.

3.3.4 Obtaining Cooperation

The respondents' cooperation was obtained by a letter written directly to them by the researcher. The letter explained the purpose of the research as to investigate "the career and backgrounds of Britain's top businessmen" and to discover their views on a number of topics, which were set out as being "the aims and goals of the men at the top for their companies; the responsibilities of the director, the relationship between business and government; and rewards, conflict and consensus both within the firm and wider society".

The letter went on to request an interview with the researcher to last about one hour, at some time convenient to the respondent. It was stated that the interviews would be confidential, and that no names would be revealed in any of the research publications. This was clearly important in obtaining access, as was the promise of a short report on the research. The letter was brief, comprising only three paragraphs.

The success in obtaining access here indicates that the problems have perhaps been thought to be greater than they are. In this case the researcher had no personal reputation, nor was there a promise of results of immediate practical value to the men themselves. Nor was it possible to use a prestigious title, although the reputation of the university did carry some weight with some respondents. A researcher able to utilise greater resources of the kind we have mentioned should be able to obtain better rates of response than we did.

3.3.5 Details of Method

Once the interviews were arranged, a programme of research was undertaken on the personal histories of the men to be interviewed, and the nature and history of the companies. It was clearly important to be well informed in this respect. Kincaid and Bright (1957) have pointed out that this does make research of this kind relatively expensive and time consuming. Indeed they report that they could only average three interviews per week. However a higher rate was achieved in this research: despite several breaks all 130 interviews were done in the two year period May 1974 to May 1976. There was some transcribing of tape recording after this date however.

The tape recording of the interviews which has not yet been mentioned was a very important part of the research method. We always asked permission to tape record the interviews and in the majority of cases received it.[1] After the interview a full transcript was made of the interview, and it is on the basis of the content analysis of these that we place our view of businessmen's beliefs, values and attitudes.

The procedure thus adopted was extremely time consuming. (Estimates of the time it takes to make a transcript have ranged among researchers from 3 to 7 times to actual interview time). We believe however that it is very rewarding; and the only acceptable way, other than transcripts from shorthand, to use the open ended interview technique. It allows for repeated resifting of the interview material, and ensures

1. Since the secret tape recording of Sir Richard Dobson at dinner at which he referred to 'blackish people' and 'wogs', and questioned the beneficial effect of trade unions, remarks which led to his resignation as chairman of British Leyland, this might be harder to obtain. See The Times. Oct. 29, 1977 p.1 Oct. 22, p.1 and 2.

that respondents are at least not misreported.[1]

The length of interview requested was one hour; in only a few cases was this cut short. More usually we were allocated considerably longer, in some cases as much as two and a half hours with men working full time, and even longer with those who were retired. The first two interviews were done by two researchers; the author did all the remainder except for five with chief executives which were done by another researcher. All the transcribing was done by the author.

3.4. Critique of the Methodology

3.4.1 General

In outline the methodology of this study consisted of contacting men who were defined as being top businessmen, that is members of the directorates of the largest British firms or financial institutions; conducting interviews with them on a variety of topics; and by content analysis of the resulting transcripts attempting to extract a synthesis of their views of their companies; of relationships within them; and of class, status and power more generally in society. This methodology parallels that used in other similar sociological investigations with one difference of some importance, and others of perhaps lesser import.

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1. The format in which interview transcripts are reported may be noted here. We have stuck to the use of ordinary punctuation feeling it to be adequate for the rythym of ordinary speech. On the whole we have not used sounds such as aah, um, ugh etc. However we have not deleted expletives. Aside from ordinary punctuation marks we use dashes as follows --- to indicate pauses for thought, and in a crude way the length of the dash indicates the length of the pause. We have never changed the respondent's words, but sometimes sections are left out. Where such a break in the actual flow of what was said is made it is indicated by a series of dots: .... Proper names, especially of companies are shown as (--------).

The difference that will appear of overwhelming importance is that those studied were men of power and some wealth rather than manual or clerical workers. At best we suspect them of being better able than other groups to construct a plausible story, that is to put across a picture of beliefs that is internally consistent, and founded in testable fact, or even knowledge to which they may claim privileged access, than we find elsewhere. At worst we suspect them of insincerity, and this specific difficulty is taken up in the next section.

There are other problems: firstly, it was necessary to make the discussion always appear relevant to questions of industrial life, or at least to business, or politics connected with it in some form. We did not, and could not, discuss in any detail, the men's social lives, their patterns of friendship, their prominently or lowly placed relatives, their membership of voluntary associations, their relationships with their wives and neighbours - in short their community situation. We offer some information on these topics, but it is of necessity limited and in consequence limits the explanations of how images of society are generated amongst the group in which we are interested.

Further criticisms of the methodology may centre on the extent of the reliability and validity of the data gathered. Taking the first of these, the question may be phrased 'would those interviewed have said the same things at a different time or in a different situation?'. We certainly would not deny that some of those interviewed would express some views on some topics that would differ from those we found if they were interviewed again in different circumstances, and we specifically argue this point on the basis of our own findings. As to whether repeat interviews would produce different results, we simply do not know. There are clear difficulties with obtaining repeat interviews with such a group, and we did not attempt it. Perhaps this is an area on which future research will improve.

The question of validity is also difficult to answer. We see this as a study primarily of beliefs and values, and would argue that the open ended interview is the best way of allowing a respondent to display his beliefs with minimal interference from the researcher. The onus is then on the researcher to make an analysis of the resulting statements that adequately takes account of what was actually said, and of the range of variation within it. To this end we have never hesitated to test our own impressions of what businessmen said by counting and analysing just how many of the total, or of relevant sub-groups did make such statements. This technique does provide a constant check that the researcher has not built too much on the odd, unusual or striking statements of individuals or small minority groups.

Against this however we have to state that simple word counting or even phrase, sentence or concept counting, cannot be adequate in itself as an analysis of belief systems. It is necessary to look for whole patterns of belief, of sets of linked concepts, or even sets of shared but implicit assumptions. To some extent this has been attempted, but inevitably the personal viewpoint of the researcher intrudes into such research. The only corrective must be reanalysis of the same material by other researchers. This we would welcome.

A more pressing problem concerns the question of attitudes, which following most contemporary definitions we take to imply not only cognitive beliefs and values, but also a predisposition to act.[1] It may be argued that whilst interview studies can give an indication of the belief systems held by a group, these are not synonymous with the attitudes the group holds, and that statements concerning attitudes can only be validated by reference to the way in which the group acts.

In the narrow sense this argument may be accepted. For example if a businessman stated that he felt it was important for a man in his position to be involved in company bargaining and wage negotiation, we may state this as his attitude to whom should be involved in wage bargaining, but without some independent measure of who does get involved in such a bargaining we have no way of knowing whether the attitude has been correctly revealed. However it is our view that attitudes can only be held within a more general framework of beliefs and values, which relate to the structure of society, and to the nature of organisation, and the parts which men should take in these, of roles that are socially acceptable, and those that are not; and of behaviour which is reasonable and rational, and that which is not. It is at this level that our analysis is chiefly aimed.

Further it can be maintained that we do have knowledge in a general sense of how businessmen act, although we may overlook much that is relevant. To give examples: we do have knowledge of how business firms are typically organised; and of the reactions of those within them to this; of business-

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1. See Rokeach (1968).

men's attitudes to proposals for greater industrial democracy, or legislation on the closed shop; of the structure of rewards in industry; of the CBI and its development and so on. Only if the beliefs and values which emerge from the interviews make sense in the light of what is known of business behaviour should we feel inclined to accept them as valid.

A rather different kind of criticism may be made by sociologists of the ethnomethodological (or as Garfinkel has more accurately termed it the neopraxiologist[1]) school. One aspect of this criticism would maintain that all we are doing is taking the views that members of society have of their own and others' actions and comparing them with our (the social scientist's) own. Thus, as Turner remarks in his discussion of Homans' treatment of proverbs, 'members thereby stand corrected as though they had intended to produce a science of their lives in the process of living them' (Turner, 1974, p.10). Such a criticism may well come to mind when we are considering a group such as businessmen who have access to the very materials (opinion polls, survey research, statistics) on which social scientists tend to base their conclusions. Indeed elite groups may have better access to some such materials.

Even as one concedes however that members of society do not set out to create a 'science of their lives' we would maintain that it does not follow that they have no 'theories' by which to describe the world and make sense of their own position in it. Such theories may be at a simple level, and an individual will not necessarily hold one that

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1. See the passage in Turner (ed.) (1974). Dorothy Smith in Chapter 4, 'Theorizing as Ideology', sets out some of the criticisms of sociological practice referred to here.

neatly ties up every area of his life and activity. Nevertheless there are basic beliefs and values that endure over time (a belief for example in the rights of property or the value of work or achievement), some of these are held in common by whole groups, and it is a plausible enterprise to attempt to describe them.

The ethnomethodological approach would appear to wish to go beyond this towards an uncovering of what are termed the rules of everyday life. In practice this results in attempts to understand the tacit assumptions made in a short conversation, for example the rules by which one may open or close it, or the analysis of behaviour in repeated, though similar encounters, or perhaps the definitions utilised by those who compile official statistics. Such exhaustive analysis of interaction and conversation can lead ultimately to the study of the rules of language itself.[1]

As a purely personal point of view the author has no objection in principle to such analysis. Indeed the transcripts and recordings of the interviews could be treated and analysed as encounters between two members of society of differing ages, cultural milieux, and in differing work roles.

However the concern of this study it has been made clear is precisely with the consciously held 'theories' of social actors, in particular those that deal with conceptions of society, of social stratificiation, social order or disorder.

1. It is not ultimately clear to this author however whether the criticism of sociology attacks it for attempting to be a science on the model of natural science, or for not suceeding in being one. Some ethnomethodologists seem to be concerned by the part played by the researcher in 'creating' sociological data, and the interrelationship between the researcher and the data, and thus are led to a position that sees all interpretation as subjective, and a social science as impossible. Others notably Harvey Sacks, appear to argue that a positive science is impossible only because the researcher takes for granted, and has not analysed, the very basis of social interaction, that is the rules of language and social encounter. (see e.g. Sacks (1963))

It is at this level that we seek to set out the actor's view of his situation.

3.4.2 Sincerity

The most widely repeated criticism encountered in connection with this study, and one that is made by both academics and laymen, concerns the sincerity of the men who were interviewed. How do we know that businessmen were telling the truth in the interviews, and were not just putting across a good picture of their activities? Did they perhaps tell only part of the truth, keeping the darker side of their activities hidden? At worst do they tell outright lies?

Before considering the question one may perhaps point out that in almost any other sociological study of this kind it would be extraordinary for the researcher to raise such questions. Substitute coalminer, foreman, lorry driver, clerk, shop steward where the words businessman or director or chief executive appear in this report and it would be most unusual, almost indeed in bad taste, to wonder if one's respondents were liars.

For some reason however it appears that businessmen are often thought to be engaged in some kind of activity that is in some respects shady, or at best distasteful. The businessman, by implication, is of the kind of character that can cope with the subsequent disjunction between public morality and private acts, under which more sensitive souls (especially those of academics who are to a man honest, scrupulous, and non-materialistic) would wither. Most extraordinary has been to encounter such expectations amongst middle managers, who might themselves be expected to aspire to high company office.

One comfort is that there is no consensus as to the direction or nature of business falsehoods: some have it that businessmen evince a false concern for employees, social welfare, and the values of the soulful corporation, whilst in reality being concerned with profit at all costs. Others have it that they conceal behind the veneer of talk of the need for profit, efficiency, and the importance of entrepreneurship, a desire for the easy life, empire building and personal gain. Some see the men at the top as ruthless and hard - the men who elbowed every one else out of the way; to others they are those who always did the conventional, who were the 'yes-men', who took no risks and rose through the bureaucracy to the top.

Businessmen in this study did not, when interviewed, volunteer tales of tax havens in the Cayman Isles; or of bribing politicians; or insider trading; or of the forming of secret cartels (though some it transpired from other sources were doing or were aware of some of these things). Despite this it is our belief that the great majority were sincere in the answers they gave on most questions. It is of course virtually impossible to produce evidence that would back up this impression. On those topics where we did have independent evidence - their careers, or their wealth or incomes - we found some errors, but these could as well have been genuine mistakes.

This is not to say there were not inconsistencies amongst the views that businessmen gave, or even statements that appeared to be contradicted by the man's own behaviour either before or subsequent to the interview. We have pointed to some of these in the analysis, but again these may in fact be situations where a generalised statement is contradicted by a particular instance. For example a director may maintain that it is a director's responsibility to look after the welfare of employees, and to provide security of employment; he may sincerely believe this but acquiesce when employees are made redundant at a particular factory, if he feels that circumstances compel such redundancies. In such situations it is not easy to differentiate between pious talk being used to cover a different attitude to practical cases, and a general but sincere belief being contradicted by a particular but unusual circumstance.

Certainly if businessmen do tell deliberate falsehoods then our observation is that they have become so adept at it they do so in most cases without even pausing to work out their evasions. They may well use cruder language amongst themselves, and no doubt they did on occasion search for the delicate or bland phrase, but it will be seen that the interview transcripts contain many instances of blunt and straightforward talking.

Our conclusion that those interviewed were on the whole sincere, is reinforced when we come to ask what would be the motive for insincerity. It must be remembered that businessmen were giving up their time, which is often very short, to assist in research, in all reports of which they were to be nameless. None were to benefit from public acclaim for their views, or the picture they presented in the interview. It would seem unlikely that men in such positions gain much in self esteem by spinning yarns to junior researchers, indeed it would seem a priori more likely that a shop steward or foreman would do so than a captain of industry.

Businessmen may of course hold beliefs that conflict with the facts as sociologists view them; they may behave in ways that are contrary to their own beliefs or values; they may act in ways which they are not aware of or in the reverse to the way they think they act; they may in short deceive themselves. This, however, is not the same as being insincere, and is certainly not confined to businessmen.

3.5 Summary

In this chapter we set out the reasons for utilising a methodology based on the use of open-ended interviewing of a sample of top businessmen; followed by transcription of the interviews verbatim and content analysis of them. We showed how the 130 businessmen were selected and how they were contacted. We discussed some of the problems, and benefits of the methodology, on which we shall have more to say.

We indicated our belief that the statements of those interviewed should be treated as sincerely meant. However it is accepted that businessmen have a partial view of the world, the view that is generated to some extent by their particular situation. We have set out here to explore the content and dimensions of this partial vision, not to present it as a reality that must be accepted or refuted.

CHAPTER 4

THE ROUTE TO THE TOP:

Family background, education, career paths and present lifestyle of top businessmen.

'Any attempt to deny that my own seat in life was reserved for me would be ridiculous'.

(J. Paul Getty: As I See It, 1976)

CHAPTER 4

THE ROUTE TO THE TOP

4.1 Introduction

It was noted at the start of the previous chapter that elite studies in Britain have, with a few exceptions, depended heavily on reference works to describe the business elite. The major problem of doing so is that the information contained in such works is always incomplete. Further, it is at least arguable that the data from such sources will tend to be biased towards inclusion of those who by birth are from aristocratic or high status families.

To take one example, Who's Who, a major source book for many such studies, has information nowadays on all but a few of the chief executives of the top 100 companies. In the past however such men were not included automatically, and those who were were often those with aristocratic connections, or else those who had achievements to their names from spheres outside business, such as being a Member of Parliament. Thus one suspects that men were far more likely to appear in Who's Who if they were part of a family that controlled a firm over some generations, than if they were men who worked their way diligently through it to arrive and spend a few years in the top position.

Clearly too the amount of information contained in reference works is limited, and there are certain areas of interest; for example, the extent of training that directors have received in technological subjects, or the occupations of businessmen's fathers, which are not included there.

The interview methodology adopted in this study, together with our additional research into the background of the men who were interviewed, allows us to fill in some of the gaps. And whilst the information presented here is not always as complete as one would wish, it is in many ways a more complete description of the origins, careers, and other aspects of businessmen's lives than has so far been available.

Thus this chapter has several purposes. First it brings together most of what might be called the factual, as opposed to the attitudinal, data collected in this study. By doing so we are able to compare the men studied here with the characteristics of the business elite as a whole, so far as these are known, and ask whether there are any obvious biases in the sample, or at least the sample of chief executives. Our conclusion on this score is that, in terms of social background, the men in our sample were typical of top businessmen apart from the lack, mentioned earlier, of the absence of entrepreneur-tycoons heading large companies.

We also try in this chapter to give a full picture of the sort of men who come to head Britain's big firms, the career paths that took them to the top, the rewards of being there and the lives they now lead. In drawing this picture we make full use of our own data and that from previous studies.

Inevitably we have a mass of largely statistical information to present here, and one must be conscious that the detailed discussion of such data can be very indigestible to anyone who is not engaged in compiling such data himself. However much of it can be easily gathered from the tables, and the summary at the end, whilst the text itself should make clear any particular points of interest to the reader.

The chapter falls essentially into four parts: the first concerns the social background and educational experience of the business elite (Sections 4.2 - 4.4); the second compares the interviewees with those surveyed in other studies of directors and managers (Sections 4.5, 4.6); the third examines the careers of our respondents (Sections 4.7 - 4.10); and the last summarises what is known of their present lifestyle (Sections 4.11 - 4.14).

4.2 The Elite were Well Placed by Birth

Paul Getty (1976) remarks in his autobiography that 'any attempt to deny that my own seat in life was reserved for me would be ridiculous'. Those who have investigated the business elite have long been conscious that the majority of seats appear to be reserved - if not for individuals, then at least for those whose fathers already occupy rather similar seats. Such conclusions have usually been drawn on the basis of the kind of education the elite have received. We begin here however by considering the occupations[1] of the fathers

1. Father's occupation was taken at age when the respondent was 16. Some of the fathers were deceased by this stage and so cannot be classified.

of the men who were interviewed. This is set out in the tables below (Tables 4.1). The first of these uses the conventional categories of the Registrar-General's social classes; the second uses the recently devised Hope-Goldthorpe scale (See Goldthorpe and Hope (1974)). The latter was specifically designed to be used in studies of social mobility. It is based on the subjective judgements of large numbers of people as to the relative 'goodness' or desirability of different jobs. Several dimensions appear to enter into such judgements, and it should be noted that the scale is continuous, the lowest ranked occupation receiving a score of 17.52, and the highest receiving 82.05. Further on this scale some kinds of manual job rate more highly than some white collar jobs, which may reflect the change of relative rewards in occupation in recent years.

A glance at the tables is enough to confirm that top businessmen, even if they are not born into founding families, are drawn overwhelmingly from the sons of those in white collar occupations. Only 9 of all those interviewed were known definitely to have fathers in manual occupations, and none of these men in turn was completely unskilled. It is a feature of both the Registrar-General's classification, and the Hope-Goldthorpe scale, that professional men (doctors, lawyers, opticians and so on) rank higher than men in business. This may well reflect attitudes to business in Britain, but it produces the result that the (often, very wealthy) members of

Table 4.I(a) Father's occupation, tabulated in the Registrar-General's Social Class Groupings[1]

Type of Respondent	Total in Sample	Category of Father's Occupation: IV	III Manual	III Non-Manual	II	I	Not Known/ Deceased
Bureaucrats (Industry)	75	0	8(12)	7(10)	42(61)	12(17)	6
Bureaucrats (City)	21	0	0	1(5)	17(85)	2(10)	1
Family Businessmen	24	0	0	0	24(100)	0	0
Entrepreneurs	10	0	1(11)	0	5(56)	3(33)	1
Whole sample:	130	0	9(7)	8(7)	88(72)	17(14)	8
Chief Execs. (Commerce only)	105	0	9(9)	7(7)	69(70)	13(13)	7

1 In this table, and throughout this chapter (and elsewhere in the study), the figures in brackets in the tables are percentages unless otherwise stated.

Table 4.I(b) Father's Occupation - Ranking on Hope-Goldthorpe Scale

Type of Respondent	Total	Scale Range of Father[1] Below 30	30 to 40	40 to 50	50 to 60	60 to 70	70 and above
Bureaucrats (Industry)	69	0	8 (12)	5 (7)	15 (22)	26 (38)	15 (22)
Bureaucrats (City)	20	0	2 (10)	0	1 (5)	9 (45)	8 (40)
Family Businessmen	24	0	0	0	2 (8)	19 (79)	3 (13)
Entrepreneurs	9	0	1 (11)	1 (11)	3 (33)	1 (11)	3 (33)
Whole sample:	122	0	11 (9)	6 (5)	21 (17)	55 (45)	29 (24)
Chief Execs. (Commerce only)	98	0	9 (9)	6 (6)	20 (21)	46 (47)	17 (17)

1 For comparative purposes it may be noted that, on this scale: most professions fall in the range 70-80; the businessmen would rank around 70; a farmer is at 58; an industrial company foreman around 47; the most highly graded manual worker at 45; with other skilled workers in the 30-40 range; and completely unskilled workers around 18.

business dynasties are classified lower in father's occupational class than the sons of some bureaucrats.

It should also be said that the men whose fathers were part of the founding family were not the only men with fathers in the firm they headed when interviewed. Six of the 60 men who were chief executives in industry, and are classified here as bureaucrats, in fact had fathers who were chairmen or managing directors of the same company. Likewise, one man in the commercial sector had a father who was a merchant bank director, and three of the merchant bank bureaucrat chief executives had fathers who were merchant bank directors.

A comparatively high percentage of the bureaucrats outside the city, in fact 11 of the 75 (15%), had fathers who owned and ran small businesses; these range from cloth mills and a wholesale furniture business, to small builders. Overall 23 (31%) of the 75 had fathers who were directors or managers of big companies, or owners of small ones.

4.3 Early Life Experiences: the Contribution of the Public Schools

Seven men in this study were not born in Britain or educated here. These include three of the entrepreneurs and one family businessmen. These men fall into the category of the marginal groupings which Collins et al (1964) found to make up a high proportion of entrepreneurs.

Yet as Tables Ia and Ib indicate the British-born entrepreneur who began from really poor beginnings and built up a large company within his lifetime is either comparatively rare or else is not adequately represented in this sample. Sometimes though it is the sons of such men who push the firm into the large company league, and this was true of two of the family businessmen.

We should also note that the men in this study largely grew up during the late twenties and thirties, a period of depression in Britain, and when social welfare provision was very much more limited than it is today. There were six men whose fathers died before they were 16, leaving their families relatively poorly off, and in two cases this cut their education short. One entrepreneur and four other men in all were forced to leave school before the age of 17.

For most of those in this study however it can be argued that they not only received full schooling, but that they received enormous advantage from it. This study indicates once again that a majority of the business elite attended public schools.

Because the figures are sometimes disputed public school has been defined with care here: it is taken to mean all schools which are (i) fee paying, (ii) members of the Headmasters' Conference, and (iii) require admission at age 13 via the Common Entrance examination. This criterion differs from that of Wakeford (1969) who includes only boarding schools. The difference in practice is small, but Wakeford would exclude for example St. Paul's, which is in fact one of the so-called Clarendon schools.[1] For purposes of comparison with other studies the latter are also separated off here, but it should be noted that the Clarendon schools, with the exception of Eton, are no longer the most successful producers of future business leaders. Apart from Eton none of the schools produced more than three men, a number equalled by Oundle, and exceeded by Clifton, which produced six. Boyd (1973) uses the category 'major public schools' but it appears to be a somewhat arbitrary choice. Table 4.II summarises the educational background of the men in this study.

As can be seen there is some variation in the extent to which various sub-groups of this sample of the business elite had been to public school. We can combine categories in the tables to compare the numbers going to Clarendon, other public schools, and to either state or direct grant schools. On doing so and applying the Chi-square test we find that family businessmen were more likely to attend elite schools, (Chi-square = 12.4, df = 2 significant at the 1% level), and similarly, comparing chief executives only, more likely to do so also at the 1% level of confidence (Chi-square = 13.0, df = 2).

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1. The Clarendon Commission of 1861-1864 mentioned nine schools as 'significant of the position that a few schools had gained in the public eye'. They were: Eton, Harrow, Charterhouse, Merchant Taylors', Rugby, St. Paul's, Shrewsbury, Westminster and Winchester. The quote is taken from Sampson (1971).

Table 4.II The Type of School Attended by Top Businessmen

(a) Whole Sample

	Eton	Clarendon	All Other Public	Other Indep./ Direct Grant	State	Foreign	Total
All bureaucrats	8(8)	9(9)	33(34)	7(7)	36(38)	3(3)	96
All family businessmen	7(29)	3(13)	11(46)	0	2(8)	1(4)	24
All entrepreneurs	0	0	3(30)	0	4(40)	3(30)	10
Whole sample:	15(12)	12(9)	47(36)	7(5)	42(32)	7(5)	130

(b) Chief Executives Only

	Eton	Clarendon	All Other Public	Other Indep./ Direct Grant	State	Foreign	Total
Bureaucrats (Commerce)	3(5)	4(7)	23(38)	5(8)	23(38)	2(3)	60
Bureaucrats (City)	5(29)	3(18)	4(24)	1(6)	4(24)	0	17
All family businessmen (Commerce)	6(27)	3(14)	10(46)	0	2(9)	1(5)	22
Entrepreneurs (Commerce)	0	0	3(38)	0	2(25)	3(38)	8

Comparing bureaucrat chief executives in the City with those in the industrial/commercial sector we find that 47% of the former attended Clarendon schools, and overall 71% attended a public school, compared to just 12% and 50% for the industry men. These differences are also statistically significant at the 1% level (Chi-square = 10.0, df = 2).

4.4 Higher Education: the Universities and Professions

There has been some comment on the extent to which British top management has higher educational experience compared to that of men in similar positions in other European countries. It has been suggested that top managers in Britain are less likely to have been to university and that this in some way may contribute to Britain's poorer rate of economic growth. (See e.g. Fores and Clark, 1975.)

It is of some interest therefore to examine the extent to which the men in this study had been to university. Our data suggest that in fact the very top men are very likely to have such education, especially when one takes account of the fact that for two groups - the family businessmen and the entrepreneurs - such qualifications would not have helped them in their careers. In addition it appears that a relevant professional qualification, most usually accountancy, has been regarded as an alternative to a degree. Nor do our data confirm the premise that the men at the top are predominantly arts graduates.

These tables indicate that although 58% of all the elite went to a place of higher education, those of a high social status background were more likely to go to Oxford or Cambridge. Indeed the City men and the family businessmen were not likely to go to university at all if they did not go to Oxbridge.

Table 4.IV indicates clearly that the picture of the leaders of industry and commerce as being arts graduates is not true of the men at the very top. At least as many men have science or engineering degrees although, as will be seen from Table V, only around a third practised for long enough to obtain an engineering professional qualification. Overall a degree consisting entirely or in part of economics was the most favoured one, and this was possessed by 46% of all chief executives with a degree, and 25% of all the 90 chief executives heading commercial firms in this study. Indeed this may indicate that many men had some intention prior to going to university of entering commerce and chose their degree accordingly.

It will be clear from the table that of 74 men entering university, eight did not obtain degrees, which indicates that Who's Who entries can be misleading in this area. Two of the eight left through lack of funds, the remainder being either family businessmen or men who went into city firms, who had perhaps not taken higher education too seriously. (Their own accounts confirmed this.)

Table 4.III The Extent to which Different Groups among Top Businessmen had Attended a Place of Higher Education

(a) All Those Interviewed

	Oxford and Cambridge	All Other Universities	Technical/ Commercial College	No Higher Education	Total
All bureaucrats	33(34)	16(17)	4(4)	43(45)	96
Family businessmen	15(63)	1(4)	0	8(33)	24
Entrepreneurs	1	2	2	5(50)	10
Whole sample	49(38)	19(15)	6(5)	56(43)	130

(When categories of technical/commercial and of no higher education are combined, a chi-square test indicates that family businessmen are more likely to go to Oxbridge than bureaucrats, at 5% confidence level.)

(b) Chief Executives Only

Bureaucrats (City)	8(47)	0	0	9(53)	17
Bureaucrats (Commerce)	22(37)	12(20)	4(7)	22(37)	60
Family businessmen (Commerce)	14(64)	1(4)	0	7(32)	22
Entrepreneurs (Commerce)	1	1	2	4(50)	8

Table 4.IV Subject Read at University

		Industry Only		
	Whole Sample	All Chief Executives	Bureaucrat Chief Executives	Family Businessmen
Number entering university	74	57	38	15
Number completing degree	66	50	36	11
Number who read				
- Science/engineering	14(19)	12(24)	10(28)	2(18)
- Any arts	14(19)	9(18)	7(19)	2(18)
- Economics/commerce[1]	28(38)	23(46)	16(44)	4(36)
- Law	4(5)	3(6)	0	3(27)
- Other/not known[2]	6(7)	3(6)	3(8)	0

Percentages are based on numbers of men completing their degree.

1 Includes PPE at Oxford

2 Other, e.g., printing diploma; hotel and catering course

One alternative preparation for entering on a career in business is that of obtaining a professional qualification of some kind, most frequently accountancy or law. Table 4.V shows the extent to which the businessmen had such qualifications. However it will be recognised that such professional qualifications are not always obtained at the start of one's career. In the case of the accountants, they usually did obtain their qualifications by taking articles as an alternative to going to university. The engineers in this study had all been to university first. The men in insurance firms had the relevant qualifications of the professional institute and this had been obtained during their careers.

These figures show again the importance of economic or financial training in a successful business career: at least a fifth of all bureaucrats in all categories were trained accountants. And taking <u>all</u> the bureaucrats in commercial, as opposed to City, firms in this study together we find that 30 of the 75, that is 40%, had either a degree with an economics or commerce content or an accountancy qualification. The equivalent figures for the small group of City bureaucrats is 8 out of 21 - 38%.

It would be wrong to conclude from any of this that industry is controlled by accountants or that the percentage of technologists at the top is overtly low, for in many of the companies which the men headed science or engineering knowledge would not be relevant. Equally however the idea that British companies are run by men

Table 4.V Professional Qualifications Obtained by Top Businessmen

	Accountancy	Law	Engineering	Other[1]	None	Total
Bureaucrat Chief Executives (Commerce)	12(20)	5(8)	5(8)	1(2)	37(62)	60
All Directors	4(21)	3(16)	2(11)	2(11)	10(53)	19
Bureaucrat Chief Executives (City)	5(29)	1(6)	0	6(35)	6(35)	17
Family Businessmen (Commerce)	0	2(9)	2(9)	0	18(82)	22
Entrepreneurs (Commerce)	1	0	0	0	7(88)	8

1 Other: Surveyor; Fellow of Institute of Actuaries; F.C.I.I., but does not include business degrees or Ph.D.s - there were three men with the latter.

N.B. Some men have more than one qualification.

with completely non-relevant (i.e. arts) degrees, is not supported. The most frequent qualification for the very top posts of commerce appears to be one that gives some knowledge of economics, commerce or accountancy.

4.5 Comparisons with Other Studies

Because previous elite studies have focussed so much on the social background and educational experience of elites, the data presented so far in this chapter provide a useful means of checking the extent to which the selection procedure has introduced unrepresentativeness into the sample. However it must be remembered that whereas the bias in this study is that the men who took part were self-selected, in most others it occurs because of the incomplete data to be found in reference books.

Also, other studies rarely make the distinctions between types of businessmen, (entrepreneur, family businessmen and bureaucrat), which have been used here; and it must be remembered that we deliberately over-sampled some of these groups. Thus the comparisons are in fact somewhat crude.

We make two types of comparison here: we compare the characteristics of the business elite's background as indicated in this study with those of other studies. And we make a comparison of the internal variation within this sample that accompanies the type and size of the company.

We saw earlier that of the chief executives in industry, only nine in number, and nine in percentage terms, had fathers in manual occupations, and a further 7% had fathers in clerical or lower supervisory jobs (i.e. R-G Class III Non-manual). Over four-fifths of this group in fact had fathers from the Registrar-General's Social Classes I and II (Table 4.1).

These figures are certainly in rough agreement with previous studies. In Hall and Amado-Fischgrund's (1969) study of 120 of the top 500 chief executives, just 7% were found to have fathers in the manual worker category. They quote 8% of men as being from white collar occupations, but differentiate a category of people in sales, including retailing, so their figures are not directly comparable. Nichols (1969) found rather more men from manual worker backgrounds - 18% - in his sample of 65 directors in a Northern city. His figure for men in clerical and supervisory jobs, 6%, is similar however.

Copeman (1955) published a study of over 1000 directors from companies with assets of £1 million or more. He found that just 8% of them had fathers in manual, clerical or lower supervisory occupations, compared to 16% here. Thus it is possible, if the two sets of figures are comparable, that there has been a change over twenty years, though a relatively slight one. Copeman found, incidentally, that 19% of all directors had fathers who were directors in the same company; for the sample of chief executives here the figure is 29%.

The present study is in line with and confirms other studies with respect to the family background of business leaders. The high proportion of men in the business elite with fathers who had directorial, managerial or professional occupations, or who were business owners, is partly due to the continuing representation of family companies among the bigger firms. It is also due to the fact, which is more or less true for all advanced capitalist societies, that though there may be considerable social mobility at all levels the bulk of it is over a short range.

This being the case a working class family has a higher chance of moving one of its members into the elite strata in two generations than in one. Thus Hall and Amado-Fischgrund found that more of their 120 executives had grandfathers in manual occupations than had fathers, and more had fathers in professional or executive positions than had grandfathers. However their conclusion that 'professional and executive positions provide a channel of upward mobility over two generations' is not in the strictest sense correct, since no index of social mobility currently in use places the professions below businessmen of any kind.

Still it does seem that in most families a member must enter what Payne and Ford (1977) call the 'lieutenant class', that is the professional, managerial and senior administrative personnel who run the big organisations, public and private, before his son or sons (and more recently daughters) can go on to enter the elite positions. Payne and Ford maintain that

Table 4.VI Provincial Top Managers/Directors Compared to the Directors Interviewed in this Study

Group	Study	Number in Study	Registrar-General's Social Class V/IV	III	II	I
Managers	Clements (1958)	586	50(9)	346(59)	93(16)	97(17)
Top Managers	Clark (1966)	119	17(15)	49(41)	39(33)	14(12)
Northern Directors	Clements (1958)	60	0	12(20)	14(23)	34(57)
Northern Directors	Clark (1966)	59	8(14)	15(25)	26(44)	10(17)
Directors (Commerce)	This Study (c.1975)	15	0	3(20)	9(60)	3(20)
Chief Executives (Commerce)	This Study (c.1975)	83	0	13(15)	60(72)	10(12)

recruitment to the lieutenant class is now relatively open. If this is so it may mean that future generations of the business elite will be more likely to have grandparents from working or lower middle class backgrounds.

Such a transition should have been aided by the 1944 Education Act and the increase since the last war of university places. The indications are however that the elite has not changed much in composition since the war (c.f. this study with Copeman's of 1955). And the signs are also that the heads of the predominantly large companies studied here tend to come more frequently from the higher social levels than do men in smaller, provincially based firms, such as those studied by Nichols (1969), Clements (1958) or Clark (1966). This is apparent from the next table in which we compare the data from this study with those of Clements and Clark, both of whom studied the backgrounds of men in Northern firms, and who do use the Registrar-General's categories (Table 4.VI).

Nichols also assembled data (p. 117 of the 1969 edition) that indicated that the higher up the company a man was positioned the more likely he was to have gone to public school. This is not reproduced here, but we make use of data from various sources concerning the educational background of directors as a further means of examining how representative of top businessmen the men in this study are. This is done in two tables: 4.VII(a) and 4.VII(b).

Table 4.VII(a) The Educational Background of the Directors of Large Commercial Firms as found in Different Studies

Study	Sample	% at Public School	% at Clarendon Schools	% at Eton
Glennerster & Pryke (1964)	Top 100 chief executives in 1938	57	-	-
Copeman (1955)	Directors of large companies	58	-	-
Farrow (1963)[1]	Top 100 chairmen	64	-	-
Institute of Directors (1965)	Directors	62	-	-
Institute of Directors (1966)	Directors	44	-	-
Heller (1973)	Directors of top 200 firms	71[2]	-	-
Whitley (1973)	Directors of top 50 firms	66	-	13
Stanworth & Giddens (1974)	Company chairmen over 100 years	54	15	6
Fidler (1975)[3]	Chairmen of top 100 firms	52	17	11
This study	Chief executives interviewed	58	18	10

1 Quoted by Glennerster and Pryke (1964) - Includes direct grant

2 May include all fee paying

3 Data collected for this study, not published elsewhere

Table 4.VII(b) The Educational Background of City Directors and of those in this Study

Study	Sample	% at Public School	% at Clarendon Schools	% at Eton
Whitley (1973)	Directors of financial institutions	80	-	35
Stanworth & Giddens (1974)	Clearing and merchant bankers	83	59	35
This study (1975)	Chief executives merchant banks, insurance property	66	33	29

This table indicates that the men who were interviewed fall well within the range of estimates of the percentages of men who had attended public school amongst top directors. Clearly different researchers may utilise different definitions of public school and this may account for some of the variation. However it may be said that 50 to 60% of all top directors (and probably closer to 60%) have been to public school; and that this has changed very little over time. Equally the Clarendon schools, especially Eton, provide a disproportionate number.

The same picture emerges from studies of the directors of City institutions, who are even more likely to have a public school education.

In this case one must concede that the interview sample have a less elitist background than those in the two quoted studies. This however is probably due to the inclusion in this study of insurance company general managers and managing directors who tend to come from a wider background than merchant bankers.

To complete the comparisons with other studies we have drawn up one final table. The first shows the percentage of directors who have been to university from this study and several others. We may note in this regard that it is to be expected that studies working from published data will exaggerate the number of directors who are graduates. This is because, as we showed above, a significant proportion of those

Table 4.VIII Numbers of Men Graduating from University as found in Different Studies

Study	Sample	% Attending Any University	% Attending Oxbridge
Clark (1966)	Directors (Northern Area)	37	16
Nichols (1969)	Directors ("Northern City")	47	29
Copeman (1955)	Directors - 1,000 largest firms	36	20
Guttsman (1963)	Officers of business organizations (FBI etc.)	46	34
Heller (1973)	Directors - firms in top 200	49	29
Hall & Amado-Fischgrund (1969)	120 chief executives	38 (approx.)	-
This study (1975)	90 chief executives, commercial companies	49	36

interviewed did not for various reasons obtain degrees, even though their Who's Who entry recorded them as having attended university.

Once again the percentage of graduates in this study is not outside the range found in other studies, but it is on the high end, as is the percentage with Oxbridge degrees. It is possible of course that men with university experience are more disposed to assist university research.

When we turn to consider professional qualifications we find there is less comparable data available. We saw earlier that of 90 chief executives in commercial companies, 28 or 31% had some kind of professional qualification, though these men may have been to university first, as for example all the engineers had. Quoted figures in other studies are lower: Hall and Amado-Fischgrund (1969) give a figure of 23%; Barritt (1957) of around 22%. Betts (1967) studied directors in companies in five specific industries (Radio and TV, Food Manufacturing, Industrial Plastics, Retailing and Construction). He found 61% of them either to have a degree or a professional qualification, which compares to a figure of 25.8% quoted by Barritt. The equivalent figure in this study for chief executives in commerce is 69%; and for all those interviewed 78%.

Thus the men in this study appear to be more likely than directors in general to have either a degree or a professional qualification. Of equal interest however is the areas these qualifications were in. Copeman (1955) found that 42% of the directors in his study with qualifications had them in science or engineering, 35% in business subjects or economics, 14% arts and 9% law. Likewise 34% of the directors studied by Betts were qualified in science/ engineering, and 21% were accountants, though these figures may be biased by the industries he chose. The chief executives in this study however were trained as scientists or engineers in only 13% of cases, though there were plenty of manufacturing firms in the sample. 14% were accountants but, as we saw, 38% had either an economics degree or accountancy training. Once again it appears that it is above all knowledge of finance that qualifies one for the very top posts.

4.6 An Index of Social Status

As we have seen family businessmen as a group are more likely than the bureaucrats to have the educational experience traditionally associated with high social status in Britain, for example to have attended an elite public school or an Oxbridge college. In this respect the City men, especially the bankers, stand between the family businessmen on the one hand and the 'managers' on the other.

The education one has received in Britain is often a guide to the social status of the family one is born into. However just as there are several positions with respect to ownership of capital, so do these positions enclose a certain variation of family social status. Thus while some men have experienced social mobility through the acquisition of capital (that is, the entrepreneurs) so others amongst the family businessmen have experienced it through the expansion of capital.

Clearly too some managers have been socially mobile by virtue of the process of rising to the top of their companies. For the purposes of this study therefore it was found useful to develop an index of the social status of the families into which respondents were born.

The problem of existing indices of social standing is that they are not fine enough for the purposes of elite studies. The scale developed by Hope and Goldthorpe (1974) may be excellent for examining social mobility in the population as a whole. However when it is applied to this sample of businessmen, we find that the highest position that a businessman heading the largest industrial firm can attain is 69.11 which is the position accorded to the manager of a firm employing 25 people. The son of a doctor in general practice attaining the chairmanship of I.C.I has in theory achieved a small amount of downward mobility. Likewise the multi-millionaire head of a firm employing 50,000 ranks no higher than the manager of a firm employing 50.

Correspondingly when we apply the Hope-Goldthorpe scale to our sample of businessmen, because of the almost total absence of men with fathers in unskilled and semi-skilled manual occupations, the extent of upward mobility within the sample is found to be very small. Yet in looking at the question of different life experiences within the group it may be more sensible to ask which men have experienced an appreciable upward mobility by the standards of the group themselves, rather than those of the population at large.

An alternative to the Hope-Goldthorpe scale or similar scales based on father's occupation might be to take the type of school a man has attended as an index of family social status. This has some merits but is not completely satisfactory for two reasons. Firstly there are amongst those interviewed some 17 men who were members of the landed gentry, aristocracy or baronetage (according to the latest available editions of Burke's Peerage (1970) and Burke's Landed Gentry[1]). In the British social status system these men are probably still to be considered of the highest social status in origin. Of the 17, 13 were educated at Eton, but the others are arguably of no less high an origin. Secondly there are a very few men who, as the result of circumstances (scholarships or private benefactors) attended elite schools despite being from manual working class, or lower white collar families.

At the other end of the scale, the men who attended state and direct grant schools range from those who came from very poor homes to those whose fathers were in professional or managerial occupations.

Therefore we suggest for the purposes of British elite studies a composite index of father's social status.

1. There were two Viscounts, one Earl; one other son of a peer; two Baronets, and eleven members of the landed gentry. There was also a life peer. The edition of Burke's Landed Gentry referred to is the 18th published in three volumes (1965, 1969 and 1972).

The index is based on father's occupation, schooling and relationship to the gentry and aristocracy. The four positions on the index as applied in this study are:

Status IV (The highly upwardly mobile); All those whose fathers ranked at or below 45.57 on the Hope-Goldthorpe scale. This is the level of the highest ranked manual worker but below it come some supervisory and white collar workers. Also included here are men whose fathers died before they were 16 and whose family circumstances forced them to leave school before the age of 16. This group is considered to be all those in the study to have experienced upward mobility, requiring at some stage the acquisition of appropriate accent, lifestyle, conversational topics, dress and so on to enter the elite; all in fact of what Bourdieu and co-workers have called 'cultural capital'. (Bourdieu and Passeron, 1977).

Number in whole sample: 18

Status III Men who attended any schools other than public schools as earlier defined, and who do not appear in group IV (or I).

Number in study: 30

Status II Men who attended public school other than the Clarendon schools, left at age 16 or over, and are not members of the aristocracy, landed gentry or the sons of baronets.

Number in study: 47

Status I Men who attended one of the Clarendon schools, other than men classified in group IV by father's occupation, plus all members of the aristrocacy, gentry or the sons of baronets.

Number in study: 29

Note that men born and educated abroad cannot be classified on this scale. There were six such men in this study.

The advantage of utilising a scale such as this is that it allows a comparison to be made of the effects of simply having capital, with those of being born into a position of high social status. As we shall see the two are related, but having money is not always the same as being well born, nor vice versa.

As one would expect from the foregoing discussion, family businessmen tend to rate more highly on the index than bureaucrats, and City bureaucrats rate more highly than those in commerce[1] (see Table 4.IX over page).

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1. We attempted to show in Table VI, page 219 , that the managers and directors of provincially based firms were less likely than those in our sample to have fathers in the (Registrar-General's) social class Groups I and II. It might likewise be asked, given that the firms which the interviewe s in this study headed ranged from those employing only a few hundred to some from the top ten biggest, whether any variation in the social status background of the respondents is apparent, related to size of firm. Taking bureaucrats only, and using different measures of size of firm, we have looked for such variation but have not found it in this sample, at least to a statistically significant extent at acceptable confidence levels.

Table 4.IX A Comparison of Different Groups among Top Businessmen using a Composite Social Status Index

Social Status Index		Family Businessmen (Commerce)	Bureaucrats (City)	Bureaucrats (Commerce)
Group	I	11(52)	8(47)	7(12)
	II	9(43)	5(29)	22(38)
	III	1(5)	3(18)	18(31)
	IV	0	1(6)	11(19)
	Total	21	17	58

Not included in the table are two city family businessmen, and any entrepreneurs.

Table 4.X(a) Relationship between Status of Family Background and University or Professional Training

Whole Sample

Social Status Index	Number in Sample	Number and % with University or Professional Qualifications	Number and % with Oxbridge Place
I (Elite)	29	28(97)	24(83)
II	47	32(68)	16(34)
III	30	21(70)	5(17)
IV (Mobile)	18	16 (89)	4(22)
	124	97(78)	49(40)

Table 4.X(b) Relationship between Status of Family Background and University or Professional Training

Bureaucrats only

Social Status Index	Number in Sample	Number and % with University or Professional Qualifications	Number and % with Oxbridge Place
I (Elite)	17	17(100)	13(77)
II	34	26(77)	11(32)
III	27	19(71)	5(19)
IV (Mobile)	16	15(94)	4(25)
	94	77(82)	33(35)

We return briefly to the question of university and professional qualifications. Frequently during the interviews the respondents gave as their opinion that there was no bias towards selecting public school men for senior management positions; and it was sometimes also said that what would be more important to career success in industry in the future was the possession of a degree or other relevant training. Whatever the truth of these arguments, in the case of our own sample it is clear that schooling and other qualifications are not independent. In the last two tables in this section we show the extent to which men at different levels on the social status index obtained either a university degree <u>or</u> a professional qualification.

Both these two tables indicate that it is the best placed, and the worst placed in terms of family social status, who obtain the most qualifications, when all the latter are considered together. Oxbridge however appears to have been much more the prerogative of the social elite in the past.

One suspects the finding here is the result of two trends: in the case of the more elite groupings they found it easy to obtain qualifications and did so, even though such qualifications were not particularly necessary for them. For those who did not begin well placed however the system is probably highly selective: only a small group of the exceptionally bright obtain qualifications and succeed in business.[1]

But overall the principal conclusion about the educational background of top businessmen must be that not only did they start well placed, they took no chances and in the majority of cases (78%) obtained high qualifications as well.

4.7 THE CAREERS THAT LED TO THE TOP

4.7.1 Getting In: Bureaucrats

The men who came to be studied here are considered important because their careers led them to the positions of highest responsibility. In this section we consider some aspects of this career experience, particularly those of relevance to later sections of the study. Once again family businessmen and entrepreneurs will be considered separately from the bureaucrats, and we begin with the latter.

In what is probably the most comprehensive study of managerial careers in Britain so far, Clements (1958) delineated five major career routes. Consideration of the careers of the men in this study, and of the typology itself, suggests that these are in fact best considered as ways <u>into</u> management. In practice, as Pahl and Pahl have pointed out (1971), careers often

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1. A similar argument is made on the basis of data relating to education by Bourdieu and Passeron. (See the early chapters of section two of Reproduction (1977). In their terms the elite have 'cultural capital' and add to it through educational achievement. Others must acquire it, but the system is highly selective in only allowing the brightest to do so.

do not follow regular and simple patterns of progression up a hierarchy or hierarchies. As many of those who were interviewed in this study accepted, luck does play a part in success, most especially in the form of opportunity to prove oneself, to get in on a new venture at the beginning, or be noticed by those higher up the company. Careers may have false starts, changes of direction, or sidesteps.

However it will be shown below that a very high proportion of those at the top of industry have worked for three organisations or less; and that many spent the longest period of their career with just one company, which is the one in which they entered higher management, the board, and consequently were heading up when they were interviewed.

Thus the crucial part of a career may in fact be the early stages - the stages when potential top managers are emerging, as one of those interviewed put it, 'from the ruck at the bottom of the pyramid'. Once one is in middle, or the lower echelons of senior management, a career may follow more on the pattern of an orderly progression from post to post. In saying this, however, we would stress that these early stages may last only a few years or a very much longer period involving moves through several organisations and occupations while the man searches for the niche that fits him.

This interpretation of the men's careers was reflected in their accounts of them. Although no attempt was made to quantify this, the majority did seem to spend the greatest part of this section of the interviews explaining how they came to be in a particular firm, and in some cases their particular speciality, rather than detailing the various management positions they had held. However one can put little weight on this as the respondents were often aware that the facts of their later careers were available to the author from reference books and the press, whereas their earlier careers were not.

To return to the Clements typology, one may suggest that what it actually tells us is the several routes that men can take in obtaining their earlier positions of managerial responsibility. On this basis one may classify the 75 bureaucrats in manufacturing and commercial service firms as follows:

a) <u>Self-made men:</u> <u>9</u> There were nine men who went into firms straight from school, and thus started in effect at the bottom. Already only a small minority of the business elite, such men may become even rarer in the future, as university or business qualifications come to be regarded as minimal requirements for higher management.

b) <u>Managerial Trainees</u>: <u>17</u> Seventeen men were graduates, and could be considered the equivalents of what Clements calls management trainees. He characterises them as having arts degrees; as we have seen, amongst our respondents, economics was more common.

c) <u>Pre-qualified experts</u>: <u>31</u> The largest category is that of men with some particular training obtained before entering commerce. Included here are both science and engineering graduates, and trained accountants. It is the latter who are the larger group - there were 15 of them, with just 4 scientists, and 6 engineers.

d) <u>Special entrants</u>: <u>9</u> Aside from men whose families actually owned a significant proportion of the equity, there were a number of men who began their careers in firms in which their fathers were already directors. We may assume they had sponsors for their careers, and aside from the 8 in this category, there was one other man with an admitted sponsor.

e) <u>Others</u>: <u>15</u> Finally we are still left with a group, 15 in all, whose careers simply do not fit into these categories. These are men who have moved through several occupations, in some cases spending a large part of their lives in other fields before entering business. This group includes men who have been an accountant, in a firm of accountants, a solicitor, two ex-civil servants, and men who at some stage had been MPs, academics, teachers, journalists, PR men, or had worked for banks or nationalised industries. It may be noted however that even among chief executives only a very small minority can be said to have come from financial institutions.

If we turn now to the bureaucrats in the City companies we find their experience to be rather different. There are basically two types of City director in this study: the man who has worked his way up through an insurance company to be general manager (or sometimes chairman), and the merchant banker.

Within insurance the career route for all seems to have been to enter the firm near the bottom, with graduates starting a couple of rungs up, and progress up the ladder. The professional qualifications, either as an actuary (F.I.A.) or as a member of the Insurance Institute (F.C.I.I.) were taken en route. Thus there was only one accountant amongst this group and he was a chairman who had come to insurance from elsewhere in the City. Contrastingly, aside from two bankers whose fathers were also bankers, all the bureaucrats in banking or property were qualified in either accountancy or law. The City men tended to have more straightforward careers than the men in industry; the great majority entered their respective firms when comparatively young and remained with them, although some bankers collected outside directorships (and chairmanships) along the way.

4.7.2 Family Businessmen and Entrepreneurs

So far as the family businessmen (Clements' 'crown princes') were concerned there was of course no problem of where to get in to industry, or how to do it, except for those who were not directly descended from the founder of the firm (i.e. were nephews or sons-in-law). The family businessmen seem to have undergone an initiation period into their firms that often involved working on the shopfloor, or its equivalent, and moving round from department to department before taking on a management position.

Regrettably the number of entrepreneurs in this study is too small for it to be possible to make any generalisations about them. Of the eight in the industry and commerce sector, four were either immigrants or Jewish, and this is in line with the conclusion of previous studies that a relatively high proportion of businesses are founded by men from marginal groups who find it more difficult to succeed in established companies. (Similarly five out of eight second-generation family businessmen were either Jewish or the sons of immigrants.) However the entrepreneurs in this study appear to have spent only relatively short periods in doing what Collins et al (1964) call 'basic dealing', that is struggling through bankruptcies and other failures before getting their firms established.

4.8 Service Experience

In considering the amalgam of events and experiences that constitute the careers of the men studied here, and relating them to other studies, one might easily overlook one particular experience that in the case of this group may be of great importance. That is of serving in the armed forces in the war.

Since the average age of the men in this study was 56 (in 1975) and 60% of them fall within six years of this, it can be seen that many had the experience of having just joined a firm, or being at some stage of university education when the war broke out, and of having to break off their careers to do wartime service. This could well mean that six years of a man's business career were lost, and men joining as late as 1943 were sometimes not demobbed until 1947. The younger men had at least to do national service, and some men who did not join the forces spent the war years engaged on war work.

Altogether we know for sure that 58% of the men in this study did wartime service in the forces, and 11% did two years national service. (1 man had fought in the first world war.)

There was much in the accounts of the men to suggest that the experience of the forces was of far greater significance to them than the enormous disruption it caused alone. Very many of the men felt it had been of personal value. There are several sides to this.

For some of the upwardly socially mobile it was the forces, and the opportunity to obtain a commission, that first released their ambition. One retail chain store head recalled that:

> 'I consider that I completed my education in the Army. I learnt what ambition was all about. When we were called up we vowed we would not take a commission, but our paths took different courses. I was responsible for training, I saw the advantage of being commissioned as opposed to non-commissioned.'

In the services in wartime promotion was often rapid. Men who had just begun their business careers at the start of the war returned six years later often with the rank of major or above. Often they would be placed in comparatively senior management positions. In the case of family businessmen, and a few others, they would go straight on to the Board.[1]

We will see below that the management training of this generation of businessmen was comparatively limited. The growth of British business schools came too late for the majority of them to benefit from it. But a number of those with no other training referred to the courses they were sent on by the Army or other branches of the services in approving terms. Here are some answers to the question 'Did you have any formal management training during your career?'.

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1. Correctly or not the experience of some other countries is said to have been different in this regard. In a letter to The Sunday Times Business News, Dr. Jeremy Bray stated that 'Sabburo Okita, the veteran Japanese economist....gave it as his opinion that one reason for their success was that defeat in war removed a generation of industrial as well as military leadership and allowed fresh men and ideas to emerge'. See Sunday Times, 1st February 1976, p. 60.

'None - except in the forces, a very good training in man management'.
(Chairman of a large engineering company)

'No - but I appreciate that the experience and training one got doing staff jobs in the RAF was a good a management training as any other'.
(Chairman - small service company)

'In the war with BOAC I ended up a captain, so I had a number of technical and training courses. They were relevant in due course'.
(Chairman - medium sized service co.)

Perhaps the most important aspect of service experience however was that it gave many of the businessmen in this study their first, and for many their only, experience of managing people rather than a finance, sales, or commercial department. We will also see below that most of these top businessmen have not had any experience of shopfloor management. Their contact at work with those at the bottom of the hierarchy has been severely limited, but they may well have found themselves leading similar sorts of people while commanding a platoon in the Army, or serving on a ship in the Royal Navy, or in the RAF.

Perhaps some day social historians will be able to tell us the extent to which the services of the second World War correspond to the picture that one is left of them from British films of the forties and fifties.

That picture is largely of ex-public school boys leading cheerful and unprotesting working-class men (frequently Cockneys) into battle, either on the ground, or from the bridge of a destroyer; or else jumping into Spitfires prepared for them by working-class mechanics, and flying off to engage the enemy, using jargon culled from fox hunting.

Whether that c aricature is an honest picture of the social structure of the Armed Forces in wartime, or the relationships between ranks, it is probably true that some at least of top businessmen draw on experience of man management that took place in organisations very different in structure, and internal power relationships, from those of modern industry. The same point has been alluded to by Fox (1966), in making a contrast between the 'unitary' view of the firm, which takes the Army as a model, with that of the 'pluralist' viewpoint.

4.9 Management Training

As has been stated this generation of businessmen did not receive much formal management training. The position is summed up in Table 4.XI below. Training here is split into three types:

i) Full diploma or degree courses, of at least six months duration.

ii) Courses external to the company, of at least a week's duration, which may be at business schools, or run by management consultants, professional

Table 4.XI Extent of Formal Management Training Among Top Businessmen

	(i) Business Degrees	(ii) Short External Courses	(iii) In-Company/ Very Short Courses	(iv) No Training	Total
a) Bureaucrat chief executives (Commerce)	4(7)	12(21)	4(7)	36(66)	56
b) Other directors (Commerce)	1(7)	8(53)	2(13)	4(27)	15
c) Bureaucrat chief executives (City)	1(6)	2(12)	0	14(82)	17
d) All family businessmen	2(8)	3(13)	2(8)	17(72)	24
e) All entrepreneurs	1	1	0	8(80)	10
All	9(7)	29(23)	8(6)	80(64)	126

Not shown in the table are four City directors. A Chi-square test shows significant differences at the 1% level between group (b) and other groups.

associations or other bodies.

iii) In-company, or very short, courses.

This typology is crude, and ignores the fact that some very large companies now have their own management schools, in which the training may be as good as that received at a state or consultancy school. However, this does not affect the main point which is that the extent of <u>any</u> training is small.

What stands out in Table 4.XI is the fact that a majority have had no training at all, and 70% have had no exposure of this kind to ideas external to their companies. This is not to say that the men themselves did not believe that such training is useful, for in many cases they said that they did think it valuable.

4.10 Main Experience in the Firm

We have already pointed out the difficulties of making generalisations about managerial careers. Right from their beginnings such careers can take diverse paths. However certain aspects of such careers are of importance here. In particular it was suggested in Chapter 2 that experience within the firm of working with groups from other class or status positions, may well be very important in creating images of wider society. Of prime importance might be experience of manual workers, and their lifestyles, aims and aspirations.

With this in mind we have attempted to summarise the areas in which the men in this study have spent their working lives. The analysis here is confined to chief executives in the industrial and other commercial sectors, because the career paths of the City men were usually a relatively straightforward progression through the wholly white collar environment of the bank or insurance firm.

The careers of the chief executives are summarised in two ways in the following tables. Firstly we show how many executives have had <u>any</u> experience of working in certain functional areas. These are:

(a) production, meaning the management or factories or production within manufacturing units;

(b) finance, including corporate planning;

(c) sales, marketing or commercial; and

(d) staff positions, which include personnel, company secretary, PA to the chairman or another director; solicitor and so on.

Finally the Table XII (a) shows how many men have any experience outside the business world; such experience includes working in the accountancy or law professions, in the City, the civil service, journalism and so on.

In Table XII (b) is shown where the men spent the greatest time during their working lives. The most important category here turns out to be 'general management', which means running a complete firm, a subsidiary of a large group or a division. It would also include running retail chain stores. It is meant to refer to all positions in which the person concerned had ultimate responsibility for more than one functional area.

Table XII (a) is shown here in percentages to simplify it and make comparison of the different kinds of men easier. In some cases, especially that of the entrepreneurs, it will be clear that these refer to very small numbers. Nevertheless the tables show some interesting differences between the groups.

Most notable among these is that only a minority of these men at the very top of British industry have any direct experience of managing shopfloor employees. In all, only 28% of all men have this experience - that is 24 of the 86 on whose careers we have adequate details. What is of more interest is that 9 of these 24 are family businessmen, and this group were thus considerably more likely to have this experience than the bureaucrats. The reason for this is that often, in the past at least, the way in which the family businessman learnt the business was by spending some time on the factory floor, and then taking over first the supervision, and then the management, of one of the firm's factories.

Table 4.XII Career Experience of Chief Executives (commerce only)

(a) The percentage of chief executives with any experience of . . . .

	(a) Production/Works Management		(b) Finance	(c) Sales/Marketing		(d) Other Staff Functions	(e) Civil Service/City/professions	
	Manufacturing Industry	Service Industry	All Commercial Sectors	Manufacturing Industry	Service Sector	All Commercial Sectors	All Commercial Sectors	Number of Respondent
Bureaucrats	28	6	36	60	43	40	47	56
Family businessmen	88	8	0	0	20	14	14	22
Entrepreneurs	13	0	13	0	25	13	13	8

See the text for definitions of categories (a)-(e)

Figures add to more than 100 because some interviewees have experience in more than one functional area of management.

Table 4.XII Career Experience of Chief Executives

(b) Areas in Which the Chief Executives have Spent the Major Part of their Working Lives

Commerce only

	General Management	Production/ Works	Finance	Sales Marketing	City/ Civil Service/ Professions	Total
Bureaucrats	37(66)	0	9(16)	4(7)	6(9)	56
Family businessmen	19(86)	2	0	1	0	22
Entrepreneurs	8	0	0	0	0	8

In contrast the bureaucrats were more likely to have come up through the sales/marketing functions (54% of all bureaucrats had some experience here) or finance (in which 36% had worked). In addition 47% have at some stage worked outside the world of commerce, either in the professions, though this includes accountancy, or the City or the civil service.

As can be seen from Table XII (b), 6 out of 56, or 9%, of the bureaucrats had in fact spent the majority of their working lives in some occupation outside the sector they now work in. This table emphasises again that taking charge of the productive side of industry is not the route to the top for bureaucrats, even in the 35 firms with significant manufacturing operations.

What this would seem to imply is that non-contact in the present day work situation, which has been described by Winkler (1974), is in the case of the chief executives merely the continuation of the pattern of their careers. In the great majority of cases they cannot draw on first-hand experience for their impressions of the thinking and behaviour of manual workers. Paradoxically the capital holders are more likely to have had such experience, but they provide a minority of the business elite in any case. And, of course, the knowledge that they were to take over control of the business in time may have modified the behaviour of the workforce when they were in direct contact with them.

In the final tables of this section we examine the number of organisations the men have worked for, and the age at which they obtained their boardroom place.

From the table on page 253 it is clear that among bureaucrats there is not a great deal of movement from firm to firm. Four-fifths of all chief executives have worked for three firms or fewer, and in the financial sector the percentage is even greater. By and large also the men in the commerce sector obtained their board places comparatively young: 67% were on the main board before the age of 45 (financial sector - 63%).

What this means in practice is that after they have begun to rise into senior management future chief executives do not move from firm to firm but stay with the same company to obtain a boardroom place, and after further experience (as much as ten years in some cases) they take over the chief executive position.

As can be seen, and would be expected, family businessmen rise to the Board in general rather faster than bureaucrats. And five out of the eight entrepreneurs had founded their companies by the age of 30. In the case of the directors who were not chief executives, some appear to have arrived at the Board rather later than the chief executives did, and may be too old to make the chief executive position. (But one of them has become a chief executive since the interview with him.) Note that the present ages of all the groups in the table have very similar means - around 56 - and so we are comparing similar groups here (leaving aside retired chief executives).

Table 4.XIII Number of Organisations Worked for during Career

Type of Interviewee	Number of Organisations					
	1	2	3	4	5+	Total
Commercial firms: Family bus.	18	2	2	0	0	22
Commercial firms: Entrepreneur:	2	4	2	0	0	8
Commercial firms: Bureaucrat C.E.	18(31)	20(34)	9(15)	5(8)	6(10)	58
Financial firms: Bureaucrat C.E.	8(47)	4(24)	3(18)	1(6)	1(6)	17
All directors	6(32)	3(16)	4(21)	3(16)	3(16)	19
All	52(42)	33(26)	20(16)	9(7)	10(9)	124

N.B. THIS TABLE DOES NOT INCLUDE SERVICE IN THE ARMED FORCES. Not included: 2 entrepreneurs, 2 family businessmen in the City, 1 bureaucrat.

Table 4.XIV Age of Obtaining First Main Board Appointment

		Below 30	30-34	35-39	40-44	45-49	50-54	55+	Total
COMMERCE	Entrepreneurs[1]	5	1	0	1	1	0	0	8
COMMERCE	Family businessmen	5(23)	9(41)	5(23)	2(9)	1(5)	0	0	22
COMMERCE	Bureaucrat chief executives	1(2)	3(5)	14(24)	21(36)	9(15)	8(14)	1(2)	57
	Finance Firms: chief executives	0	1(6)	6(35)	4(24)	1(6)	2(12)	3(18)	17
	All directors	1(5)	1(5)	2(11)	4(21)	5(26)	6(32)	0	19
	All	14	15	27	33	18	16	4	126
	Percentage	(11)	(12)	(21)	(26)	(14)	(13)	(3)	100

1 Refers to age of founding present firm or obtaining control

4.11 Income and Wealth

When we turn to consider the director's life outside the firm we are able to produce rather less relevant information. We can offer only a partial description of the community situation of the businessmen. What one can say is that there is a certain amount of variation: there are members of the landed gentry who retire to country houses at the weekend to pursue the country interests of hunting, shooting and fishing; there are also men who live in houses in the midst of suburbia; those who come into London from a ring of commuting towns and villages round it; those who live in the better preserved parts of inner London; and with such variations may go a range of interests and involvements in the local community.

One first point to make is that the business elite do have considerable choice as to how their out of work hours are spent. That choice is provided by income and wealth holdings that put them comfortably into the top brackets; and this despite their own distress at their falling real incomes resulting from a combination of inflation, pay curbs, and high taxation. (See Fidler, 1974)

In the next two tables we summarise the income and wealth holdings of the chief executives. These figures are the result of self-reporting by the men themselves (and there are thus a number of gaps due to refusals), supplemented by estimates made from known share and other capital holdings. These are inevitably under-estimates, but they

Table 4.XV Income and Wealth Holdings

(a) The total stated income of the chief executives from all sources

	Annual Income in £ thousands (around 1974 to 1976)						
	10-19.99	20-29.99	30-49.99	50-69.99	70-99.99	100 or more	Not Known
Bureaucrats	4(7)	21(38)	22(40)	6(11)	2(4)	0	23
Family businessmen	2(9)	2(9)	5(22)	3(13)	3(13)	8(35)	1
Entrepreneurs	0	0	4(40)	2(20)	3(30)	1(10)	0

N.B. Income is gross

(b) Stated wealth holdings of the chief executives

	Wealth in £ thousands							
	15-24	25-29	50-99	100-199	200-400	500-999	Greater than 1,000	Not Known
Bureaucrats	2(4)	9(16)	23(42)	14(25)	7(13)	0	0	23
Family businessmen	0	0	0	7(30)	2(9)	4(18)	10(43)	1
Entrepreneurs	0	0	0	0	2(20)	2(20)	6(60)	0

give an idea of the range of wealth holdings. In the case of incomes, inflation will already have pushed these considerably higher in absolute terms.

As would be expected, family businessmen and entrepreneurs are on the whole considerably wealthier than the bureaucrats.

We also collected data from company reports of the salaries and shareholdings (in the principal firm in which the man was chief executive) of all the chief executives. Some interesting conclusions can be inferred from this data.

Firstly, using four measures of size of company - assets of the firm, turnover, profit, and number of employees - we correlated both size of salary, and value of the shareholding, with the size measures, and found that whereas salary is related to size of firm, the amount of shareholding the executive has is not. This conclusion holds both for bureaucrat chief executives in the commercial sector, (data available for 57) and for entrepreneurs and family businessmen (data available for 31). The exercise was not undertaken for men in finance firms because of the lack of suitable measures of size.

It would appear then that the larger the firm a man heads the more his salary goes up, which is entirely what one would expect. However size of firm makes no difference to size of shareholding in the case of bureaucrats, and gives only a small correlation, significant with two of the four measures, for the capitalists (see Table XVI).

Table 4.XVI Correlation coefficients of salary with . . . .

	Assets[1]	Turnover	Profit[2]	Number of Employees
57 Bureaucrat C.E.s	0.58	0.54	0.58	0.52
31 Family/Entrepreneurs	0.51*	0.54	0.64	0.53*

All coefficients significant at the 0.1% level of confidence, except * significant at 1% level

1 Assets are taken straight from The Times 1,000 list of companies

2 Profit is profit in absolute terms; figures are for 1975

Correlation coefficients of size of shareholding with . . . .

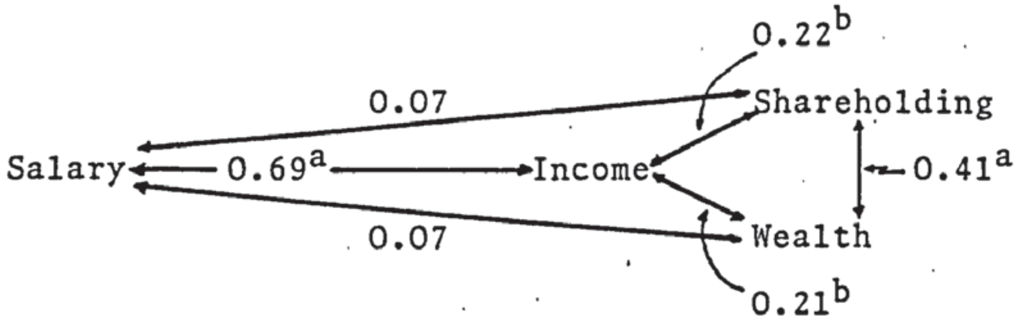
	Assets	Turnover	Profit	Number of Employees
57 Bureaucrat C.E.s	-0.9	-0.11	-0.08	-0.13
31 Family/Entrepreneurs	0.16	0.33[1]	0.19	0.35[1]

All correlation non-significant, except [1] significant at the 5% level

Some further interesting results are obtained when we categorise the salaries of the men into the same bands as their incomes, and likewise their shareholdings into the same bands as were used for their wealth holdings. We can use Kendall rank order correlation coefficients to give an indication of the links between salary, annual income, shareholding and wealth holding for the men who are capitalists, and those who are managers. The results can be shown in two diagrams.

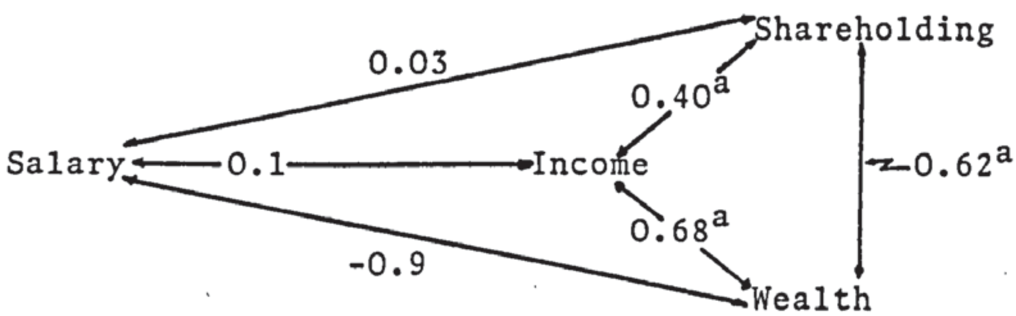
Figure 4.1 Relationships between salary, shareholding, income and wealth

A) Bureaucrat chief executives; number = 55



All correlations are Kendall Tau-Beta.
a = significant at 1% level   b = significant at 5% level

B) Entrepreneurs/family businessmen; number = 30



All correlations are Kendall Tau-Beta.

a = significant at 0.1% level

One may infer from the above relationships that the bureaucrats' incomes are composed to a large extent of their salary, and that this accounts for the strong relationship between them. A weaker relationship indicates that the more wealth they have the greater the shareholding in the firm of which they are chief executives. Again this is not an unexpected conclusion, and one would not expect the relationship to be very strong as bureaucrats have other places in which they may invest their wealth, and also because, as many pointed out when assessing their own holdings, their house or houses are often a very large part of their personal wealth, and this is presumably a variable fraction of their total wealth.

In contrast the entrepreneurs and family businessmen do derive their income from their wealth, and a considerable section of this wealth is liable to be shareholdings in their own firm. Salary however shows little relationship with income.

Apart from anything else these relationships indicate that our distinctions between types of businessman do encapsulate valid distinctions among the business elite between capitalists and managers. However this kind of data once again leads to no very clear conclusions in the context of the ownership and control debate.

To take the bureaucrats first, it is clear that their income is related to their salary, and their salary in turn is related to the size of company they run. This would seem to be a stimulus towards expanding the company. However, since income at the higher levels is severely taxed, the small amount of real income the executive receives in turn for the salary increase he can justify on the basis of the company's growth may not be thought worthwhile. If wealth is the aim, then it seems that men heading small firms may do as well as those running larger ones (Table XVI). Once a man has a shareholding in his firm then expanding the assets would logically seem the best way to expand the value of that shareholding. (Dividends produce very little real income flow after tax unless one's shareholding is very large indeed.) But again how is that expansion best achieved - by making more profits, or in some other way?

In contrast the capitalists obtain their income to a large extent from dividends. Their salaries it may be noted in the case of our sample had a mean at £25,000 (standard deviation 13,100) rather lower than that of the bureaucrats (mean £32,400, standard deviation 13,100). Again they face the problem that dividends may be taxed at the rate of 98%. Thus it may depend very much on the individual whether a high rate of profit or an expansion of the asset base is desired. In fact of course the actual value of the shareholding depends on the share price, which in turn will be related to the profit performance.

It may be noted that the mean value of the bureaucrats' shareholdings in their firms was £50,400; but it shows a wide variation - the standard deviation is 210,800. The capitalists had mean shareholdings of £1,360,000, standard deviation of 2,488,000. These figures were calculated using stock market prices for mid-December 1975.

Differences between groups must not blind us to the most obvious fact about the business elite as a whole: by most standards these are all wealthy men. Using the slightly dated figures of the Royal Commission on the Distribution of Income and Wealth (1975), we find that all the chief executives have incomes that place them amongst the top 1% of the population, and this will probably still be so even though inflation will have greatly raised the qualifying figure of £6,236. Likewise all the chief executives are in the top 10% of wealth holders, and four-fifths of them come within the top 1%. (See the Royal Commission figures, Page 80, but note the assumptions made in arriving at the estimates.)

4.12 Home Life and the Drift to the South

We have indicated above that many of the business elite have had careers that afforded them little contact with manual or other lower status workers. In background they came from predominantly white collar families.

It may be suggested however that at previous stages of their careers many of the elite will have lived in occupationally mixed communities, and these will have given them the contacts they have not had at work. On this we have no evidence. What we will suggest is that such contacts are some way behind them. Most men in this study had been on the boards of their companies for some time. Leaving aside the retired directors, the average time spent on the Board for all men in the study is 15 years, and for bureaucrats alone 12.9 years. We wish to show now that taking up such a main Board place usually means moving to the South East, and living in a community which is anything but mixed.

A drift of population to the South of Britain is often remarked on. We wish to point out here its consequences for the pattern of directorial life. One is that whereas in the past many firms had their headquarters in the area in which the firm grew up, often on the original factory site (as the H.Q. of, for example, Pilkingtons still is), there are very strong pressures on medium and large firms to move their headquarters to London, or at least to move most of the directorate there.

The desirability of having the company headquarters in a large city, from the point of view of the directorate, has been well recognised by geographers, both in Britain and elsewhere. With regard to the British case, both Westaway (1974a, 1974b) and Parsons (1972) have pointed to the tendency for large companies to site their headquarters in the South East, to the detriment of other regions and in the face of government policies to develop other regions.

Westaway draws on the work of Tornquist (1970) and Thorngren (1970) in arguing that firms above a certain size need to have their administrative and head office staff in large cities to perform the functions of scanning the environment, adapting to it and planning for future change. Information flow via direct contact between members of different organisations is a very important reason for firms to have their head offices in London. In this context one might specifically draw attention to the importance of the

City as an international finance centre to which company directors may wish to have ready access, and to the fact that London is to an extent at the centre of transportation systems, particularly international ones.

Other factors mentioned by Westaway are the opportunities a city gives to make use of shared services (e.g., computers), the need for a ready supply of staff with the right skills, and interlocking directorships.

All of this suggested that firms in this study might not just have happened to have had their headquarters in the London region they might have deliberately moved them there. A simple test was made of this hypothesis, and the findings are shown in Table 4.XVII below. We examine here the location of the company headquarters of medium and large companies in this study at three different times over a 50 year period. Information came mainly from the Stock Exchange Yearbooks for 1925, 1950 and 1975. There was no question of course of including small firms in this analysis because they were originally only included in the study if they were based in the South. (Also we do not check on the alternative hypothesis that the arguments above suggest: that is that firms with a London headquarters will grow faster than those outside and therefore are likely to come to represent a disproportionate percentage of large firms.)

The resulting table serves as a comment on the structure of British industry, rather than proof of the hypothesis of the drift to the South. So many firms were already based in London by the time they were public that only a small amount of movement is indicated. But the table

Table 4.XVII THE LOCATION OF COMPANY HEADQUARTERS[1]

Medium and large firms only.

Date of Public Quotation	COMPANIES NOW LONDON BASED: Moved by 1925/Always London Based	Moving 1925-1949	Moving 1950-1975	Companies Based Outside London
Before 1925				
38 firms	22	1	8	7
1925-1949				
21 firms	13	0	3	5
1950-1975				
16 firms	16	0	0	0
All 75 firms (at 1975)	51	1	11	12

1. In the case of firms built by merger we have considered the separate parts as separate firms throughout their history. Thus a firm based outside London merging with one with a London HQ and adopting the HQ as the headquarters of the conglomerate, counts as one firm moving to London, one that has always been there, There were no examples of firm moving the other way. Thus the 12 firms quoted as being outside London are in fact nine composite groups, since three had merged with the others.

does show that only 16% of firms were based outside London at the time of the interviews. And the results are in line with Young and Willmott's conclusion that the porportion of professional, managerial and clerical workers in the London region is rising faster than in the country as a whole. (Young and Willmott, 1973, Ch. 1.)

We suggest that the resulting structure of large British firms has two consequences for directors. Firstly on obtaining a main Board place they cease to be what Watson (1964) called spiralists, and spend the rest of their working lives in the London region. As a result of this they move to one of three geographical areas to live: one of the 'better' parts of London, or its suburbs; one of a ring of commuter towns; or one of the small, previously rural villages of the kind described by Pahl (1965). In none of these cases does it seem likely that the businessman spends his out-of-work life in the kind of mixed occupational communities implied by Lockwood's (1966) model. (See the discussion in Chapter 2.)

The second consequence will be developed in more detail in Chapter 8 below. It will be suggested there that businessmen, because they are closer to the capital, because they live in white collar areas, and because of demands on their time and their own inclination, are less involved in local voluntary affairs than they were in the past, and more involved in affairs of a national character that are directly relevant to business.

4.13 Community Life

To complete the arguments of the previous section we have examined the location of the homes of those men whose homes were in the South East of England. Placed on a map they could serve as a guide to the more expensive areas of London and its suburbs. Of the 85 addresses that were known, 23 were in the Greater London area, but only 5 of these were in the band between the North and South circular roads and the edges of the G.L.C. area. Eleven were in Kensington or Chelsea, with others in Hampstead, Highgate, St. John's Wood and Belgravia. Sixteen men had flats in London as well as homes outside and these followed the distribution of first or only homes. The remaining men commuted in from the suburbs, a ring of commuter towns or from rural villages up to as far as 75 miles away. Thus there is some variation in the communities in which businessmen live, and it would be possible for some to have quite wide contacts with groups outside the upper middle class, while others could not.

Whether there is such contact, and the nature of it, we cannot say. The interview data, when examined, gives the impression that businessmens' friends are drawn overwhelmingly from the middle class, and that when there is contact with lower status groups it is with people who in effect work for the businessman in some capacity - what one might call "hired deferentials". When the limits of time permitted, we did ask the men who were interviewed to tell us the occupations of five friends. We were successful in this with 60 men of all types (i.e., bureaucrats, family and entrepreneurs). Here is the result:

Of 60 men giving the occupations of five friends . . .

42	(70%)	mentioned directors and managers of their own and similar companies.
17	(28%)	said doctors
15	(25%)	said clearing or merchant bankers
14	(23%)	said lawyers
17	(28%)	referred to other professional groups, including those employed by business firms.
11	(18%)	said farmers
8	(13%)	said MPs or cabinet ministers
7	(12%)	said civil servants
7	(12%)	said proprietors of small businesses
5	(8%)	shopkeepers including art or antique dealers
3	(5%)	said peers (including a duchess).[1]

Contrastingly we have collected all references to contacts with non-middle class groups made outside work that the men made during the interviews; there were the following categories: "labourers on my farm", "game keepers" (or "gillies") "gardeners", "my PT instructor who is also a scaffolder", "the man who sweeps the road at Sunningdale golf course", "the professional at my golf club".

The evidence here is slight, but in unchartered waters any map used with caution may be better than none. It is our contention that far from living in mixed occupational

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1 For some reason both the interviewer and the respondent accepted being a peer or a duchess as an occupation.

communities businessmen are isolated from lower status groups at work, and this is paralleled by a similar isolation outside. But there is a small group who do have more extensive contacts outside the middle class. Amongst these one might mention, for example, men who do political canvassing, or have been MPs or local councillors.

4.14 Clubs and Leisure Activities

To round off our picture of the top men of British business we offer some information on the clubs they belong to and their leisure interest. This is mainly included for the sake of completeness, but it is not without its importance since meeting in exclusive clubs is said to be one of the ways in which the different groups that together comprise the 'power elite' or the 'ruling class' communicate, and coördinate their power.

In practice this would seem to have been greatly exaggerated. In Chapter 8 we will see that businessmen make almost no reference to meeting politicians or civil servants in such clubs, although they are quite open about their extensive contacts with such groups. Here we shall merely indicate the extent of such membership.

We used here only documentary sources, and thus have information on only 87 of the 130 who were interviewed. The rest are less well known businessmen who are less likely to be members of such clubs. We took the following as comprising 'exclusive London clubs', though several of these are probably not particularly exclusive: Brooks's, White's, Turf, Junior Carlton, Carlton, Boodle's, Garrick, Pratt's, Athenaeum, Bucks, Bath, Reform, City Livery, Beefsteak, Caledonian, Naval & Military, Travellers, Savile, Oxford & Cambridge.

The most popular clubs with businessmen in order are Brooks's, Boodles, Bath, Caledonian, City Livery. Of the 87 men, only 41 were known to be members of any one of these listed above, which is 47%. It is unlikely that more than a handful of the remaining men in this study were members of such clubs. Since the 41 men were spread among 20 clubs it would seem a poor way of coordinating the activities of the business elite, who could probably have far more contact through interlocking directorships, or the CBI.

Turning to leisure interests, those that are found among the business elite are very much what one would expect among the middle/upper class of middle age. Golf emerges as the favourite sport, but in fact gardening is the most frequently stated pastime. Probably the data of Young and Willmott (1973) is superior here. They studied a group of managing directors, most of whom would have come from smaller firms than those in this study, but their methodology consisted of asking the respondents which of a list of activities they took part in. From their study it emerges that watching television is the most indulged-in activity, but this is not, of course, recorded in reference books. Some of their data is given here for comparative purposes.

Table XVIII Leisure Interests of Businessmen

1. Sport — 60% of all the 83, i.e., 50 men, claim some kind of sport as a leisure activity. Most popular are:

Golf	played by	29%	(Y. & W:[1] 33%)
Sailing	played by	16%	(Y. & W: 20%)
Tennis	played by	10%	(Y. & W: 20%)
Fishing	played by	14%	(Y. & W: 14%)
Ski-ing	played by	7%	
Shooting	played by	8%	
Riding	played by	5%	

2. Other Outdoor — Gardening: 30%; Walking: 7%; Farming: 7%

3. Cultural — Reading, music, theatre, ballet, opera, etc. mentioned by 24%; most popular: reading: 10%; music: 12%

4. Indoor Hobbies — Photography, winemaking, handicrafts, bridge, etc. 17%

5. Travel: 8%

4.15 Summary

In this chapter we examined the family background, education, careers, and present community life, other than political involvement,of the businessmen who took part in this study.

In Chapter 2 it was suggested that the life and career experiences of the businessman or senior manager are potentially very wide. The generalisation remains true for this group, who come from a wide range of companies, both financial and commercial, have a range of educational, professional and managerial training and have worked for their firms in a range of capacities.

1. Data from Young and Willmott (1973).

In some respects, however, the generalisation must be modified. One consistent aspect of the lives of businessmen in this group is that neither in their career of their family life or present community life have they of necessity had to become involved with manual workers or people from lower status groups. The extent to which such a generalisation can be more widely made is difficult to judge, but it would seem likely to be true of all those main board directors who do not have and have not had direct experience of shop floor production management or certain kinds of personnel work.

A review of the evidence of this chapter may bring home the point. We found, as previous studies have, that the majority of the businessmen were born into white collar families, usually of professional or managerial status (Table I). A majority had attended a public school (Table II).

As a group businessmen are very likely to have received higher education at a university or technical college (Table III), or else a professional training (Table V). Indeed, whether it is the case that men of high status background are highly likely to receive such education and to succeed in business, or whether such education is a positive asset for success, it was found that a high proportion - 78% - have either education beyond school or professional training.

The evidence of this chapter was that the distinctions between bureaucrats, family businessmen and entrepreneurs were valid ones. Aside from the great differences in wealth and income of capitalists and managers it was possible to show differences between two of these three groups (the bureaucrats and family businessmen) in terms of education, professional and management training, and career experience.

We concluded on the basis of comparison with other studies that the respondents in this study were not untypical in terms of background of the business elite as a whole. But as a group they do appear to come from higher status backgrounds than lower level managers, or provincial firm directors.

Businessmen of this generation were likely to have had their education or early careers disrupted by wartime service in the Armed Forces. The group as a whole had not received extensive management training. We hypothesised that for some the former may have acted as a substitute for the latter.

The major feature noted of these top businessmen's careers is that the majority of bureaucrats, and thus of all those studied, had no direct experience of managing manual workers. Family businessmen were more likely to have had such experience, but they are of course a minority. The most common career experience of all groups, that is where they have spent the major part of their careers, is in general management. Amongst the bureaucrats the most important experience in a management function was that of sales or marketing.

Businessmen who are going to the very top of their firms must expect to obtain their main board place early. Seventy per cent of those interviewed had a seat on the main board by the time they were 45.

We saw that a move to the main board usually entails settling in the South East of England; and suggested that this is the result of the tendency of large firms to have their headquarters in the London area or to have moved them there as they grew. We examined the location of the homes of the businessmen and questioned the liklihood that they lived in occupationally mixed communities, as these have been presented in sociological theory. This in turn suggests that most contacts by businessmen outside work are with members of the professional and managerial groupings. Such evidence as we have on the occupations of the friends of the businessmen in this study, and the extent of their contacts with lower white collar and manual working class groups, tends to confirm this.

CHAPTER 5

THE COMPANY COMES FIRST:

The responsibilities and objectives of directors.

'.... we were a professional team, all of whom had risen from the ranks. I do not think any of us felt that our first duty was to the shareholders. The company came first and we were intensely proud of Beechams and of what we had made of it. We believed in its destiny and were dedicated to building a great international company capable of competing with the powerful U.S. corporations which dominated so many of the markets in which we were involved. Profits were the measure of our success and the means by which we had to grow. The proportion retained in the business had steadily increased until it exceeded that paid out to shareholders.'

(H.G. Lazell: From Pills to Penicillin,1975)

CHAPTER 5

THE COMPANY COMES FIRST

5.1 Introduction

We turn now to consider the opinions and beliefs of the 130 men who were interviewed and we start by looking at their beliefs and values with respect to the institutions that take the major part of their time and energy, their own companies. In Chapter Two, it was suggested that how the work organisation is viewed may be significantly connected to a person's viewpoint or 'image' of society more generally. This conceptualisation is implicit in much previous work although what has rarely been specified is how organisations or institutions are percieved as being related to the wider society. One might ask, for example, whether the firm is taken as a direct model of society; as being society in 'microcosm'; or whether in contrast it is the individual's own experiences within the organisation that are generalised to wider society.

In this chapter we look at the first of the three roles of the business elite, which were discussed in Chapter One, their economic role. Because of the attention that has been given to the debate on ownership and control we do so with specific reference to this debate. In the course of the discussion we consider how the heads of large commercial companies conceptualised their general objectives for their firms. We compare the attitudes and performance of capitalists and managers and we look briefly at how these top businessmen saw the responsibilities of the director. Finally we ask how the long term goals of businessmen are likely to be translated into more short term aims, and we do so by asking which groups inside and outside the company influence the chief executives.

5.2 Goals for the Firm.

As a guide to the sections that follow we will outline the position that the evidence presented here leads to with respect to the ownership and control debate. We will suggest that what appear as alternatives to social scientists, appear rather differently to businessmen themselves. For them the 'soulful corporation', to use Berle's (1959) phrase, has already arrived. But 'soulfulness', social responsibility or socially desirable ends, are seen as being compatible with, and to be pursued, via the very traditional route of making profits. An ethos has been evolved, and we believe that adherence to it is spreading, that presents other goals (growth, serving the interests of customers or employees) as only short term alternatives to the long term pursuit of profit - indeed these may be the means to long term profitability. About the short term goals that result from this and the process of strategy formulation it is more difficult to generalise. We incline to the position that, in the absence of complete knowledge, businessmen will seek to increase profits on a year by year basis, which clearly may not be maximising profits in any given year.

Our evidence on business goals comes from relatively few questions asked as a short section early in each interview, in which businessmen were asked quite simply to state the principal objectives they saw their company pursuing. In later interviews these questions were augmented with a number of others.

This relatively naive line of questioning takes little account of the varying levels of complexity on which it could be answered; of the very different situations with respect to the market, competition, and type of product or service produced, or the varying size and structure of firms in the sample. Yet it, and supplementaries, did produce from the majority of the respondents a set of statements that define in a general way what businessmen feel they are there for; what they are trying to do and why. In effect they could be part of a business philosophy. Thus we have such statements as:

> " There's no doubt at all what our objective is - we're here to increase the wealth of the nation"
>
> (Q. How do you know you're doing this?)
>
> " The simple and sensible way to recognise that you're doing this is to add annually to the funds of the company in real terms."
>
> (M.D. - large engineering group)
>
> " The primary responsibility of the Board is to shareholders to assure the business is run profitably in their interest. The second responsibility is to the community at large, that where one can develop the company for the country's advantage in overseas fields one should do it. Thirdly, certainly staff and employees play an important part in my thinking, because (-) is a service company and success is dependent

on our ability to find the right people and motivate them"

(Chairman - medium size service co.)

(Q. What were your objectives in building up the company?)

" Oh we were definitely interested in growth, we wanted to be the best and the brightest. We wanted to be rich, powerful and all the rest of it. When I took over the company 25 years ago we were small beans - affected by rich and powerful competitors and we said one day we will be as big and will be able to affect our environment in some way"

(You say growth - in what sort of terms?)

" Well you can measure it in all sorts of ways .... earnings per share, that's one measure, they have grown - , profits have grown - , the number of employees has grown - , assets have gone up .... ."

(Enterpreneur, medium size capital intensive firm.)

" This is not an easy one. I think in general terms the objective is to run an efficient company. The problem comes when you try to measure it. We see it primarily in terms of increasing profitable growth subject to a number of constraints. (How are you measuring that?) Until recently we were basing it on the previous year. But recently we've been trying to take a five year forward look".

(M.D. of insurance company)

" (The objectives are) to make a proper return on the capital employed: to protect the deposits, bearing in mind the nature of our business, and .... to maintain the quality image of our name. .... And to create a satisfactory and enjoyable work environment for the chaps here, because if you don't do that the thing doesn't tick, bearing in mind we're in the people business."

(Merchant banker)

" Let's be clear the objectives are not new .... what has been introduced is a thorough strategic planning process which establishes the business the company is in, and where we will be in ten years in terms of quality, quantity and cost (discussion of planning process follows)

.... The objectives come right back to the classical things - but basically to grow and profit by the handling, processing and distributing of commodities, our own and other peoples. Our success is measured in terms of beating inflation by 5%. A growth of profits etc. in real terms of 5%"

(M.D. in family firm)

When we take the statements of all the businessmen and analyse them, we find that statements couched in terms of profits, serving the interests of shareholders, or a steady growth of profits are by far the most common objective for these top businessmen. Indeed statements of such a form were made by over 80% of the 103 chief executives (See Table 5.I below). Profit was by far the most frequent word used in statements of business objectives

It is worthwhile considering briefly why profit, and more usually steadily rising profits, should be seen so clearly as the objective of the business enterprise. There are several reasons. The first, which was for obvious reasons not alluded to by those interviewed, is that maximisation of profit has simply been handed down over generations as being the essential aim of the business manager. According to Henry (1949), those who succeed in business hierarchies have a strong orientation to acceptance of authority, and of the goals of those above them. Put more crudely, it would seem unlikely that managers will succeed to positions of the highest level if they have doubts over the profit maximisation objective, nor will they in turn promote those who do. Thus 'profit' as an aim may simply be handed down over generations. An additional factor is that a high proportion of the chief executives have economics, commerce or accounting education (see Chapter 4) on which they are likely to have imbibed classical economic theory.

Secondly, it is recognised even by those who suggest alternative goals for a corporation's directorate, that certain minimum levels of profitability have to be satisfied if the firm is to continue in operation. This is, naturally, well recognised by businessmen themselves. Two additional factors are also of importance in this regard however. The first is that in the modern enterprise the minimum profit is not that which allows the firm to break even, nor even the same level allowing for inflation, and depreciation. In most large firms a secure level of profitability is seen as one that allows for a certain amount of R & D; for investment in new ventures, advertising, diversification, product substitution and so on. The second, and clearly related factor, is that businessmen themselves see profit as the route,or the means, to goals which theorists propose as alternatives, most conspicuously the goal of growth. From the interview material it becomes clear that profit and growth are not usually perceived as alternatives; indeed whilst classical theory refers to maximisation of profit many businessmen appear to think first of maximisation over the long term, and hence a steady growth of profit. An additional factor in such a transformation is that businessmen in practice have to operate with only limited knowledge of the market place, and of likely future trends, and cannot themselves know when profit has been maximised (a point made also by Newbould and Jackson (1972)).

A third reason for perceiving the organizational goal in terms of profit is that it does allow, year by year, some kind of quantifiable target to be set against which success or failure of the firm and its constituent parts can be measured. It is on the basis of such reasoning that Ansoff (1969), after reviewing the work of other theorists on the goals of managers, decides to take the maximisation of profit as the aim in his discussion of corporate strategy (but not necessarily maximisation in any one year).

But a final, and most telling, reason for profitability to be seen as the major aim, emerged also from the interviews. It is that a sizeable section of the top businessmen interviewed have at the forefront of their minds an ethos, which combines the objective of profitability, or of maximising shareholders' return, with that of the idea of the director, or the board as the arbiter of conflicting interests. According to this ethos (hereinafter called the ethos of balancing interests), the director must arbitrate between the interested parties that are caught up with the firm: the most usual are the shareholders, the employees and the customers; but the company's suppliers and the community, both at the local factory level or in the form of central Government, may also be included. According to the ethos, however, the directorate only arbitrate in the short term: for in the long term the interests of all concerned with the company coincide.

It may be remarked that the ideas bound up with this 'ethos' are not new. Child has indicated how early British thinkers on management put forward the idea of the manager as the balancer of interests between labour and capital. Rowntree and Elbourne put forward such ideas in the early 1920's, as did Sheldon in his Philospphy of Management, Lee in The Social Implications of Christianity (1922) and even Sir Alfred Mond in a section of his Industry and Politics headed 'Seeing Fair Play'[1]

What is interesting is the way in which, to capital and labour, various other groups are now added to the balance which the manager holds. Further the notion of balancing interests is bound in with the concept of the director's role as being, as Nichols (1969) put it, to pursue the 'long term company interest'.[2] A very similar amalgam is to be found amongst American management thinkers

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1. See Child (1969) pp 73 and pp 219.
   The other references are taken from Professor Child's Ph.D. thesis; British Management Thought and Education. Cambridge 1967. They are: B.S. Rowntree, The Aim and Principles of Welfare Work - Welfare Work I,2. Feb 1920 (p20). Elbourne - reported in J.I.A. I,2 Feb 1921 (p58); also G.C. Vyle: The Third factor in Industry J.I.A. I,12 1922.

2. On rereading Nichols' book, we have found that he made very similar observations to those we make here, although he made no attempt, as we do, to discover how widespread the 'ethos' is. See Nichols (1969) pp 225 - 226.

(and can be found explicitly stated in, for example, the reports of the symposium of businessmen, academics and management consultants which met as long ago as 1954. (See Brown and Smith, (eds) 1957) pp. 21-22).

Here are some versions of the ethos as put forward by some of the interviewees, starting with a former president of the C.B.I.

> (Q. What do you see as the responsibilities of the Board?)
>
> " I've tried to spell this out in the last few years - it's a bit like putting a record on. To serve the needs of those to whom the company sells its products; to constantly have regard to the interests of the employees. It has to understand and react to its responsibilities to society at large, both local and national. And it has to show both present and potential investors that it is making adequate use of its resources. Now I don't know that I can expand on that - that in my view is the job of the Board of Directors."

And the head of one of Britain's top five firms put it:

> " A great deal of rubbish is talked about these objectives. First of all if you don't serve the customers you go out of business. If you don't serve the shareholders you're in trouble. If you don't look after labour you're sunk. Your responsibility is to look after those three at the same time. Each is always wanting more, but there is no such thing as a company which pays no attention to its troops, its shareholders and its customers."

In very similar vein the chairman of a small manufacturing company said:

> "We in management of this group are in there for

> achieving a profitable return on the capital that we employ, but the profit must be made by methods that are acceptable to the community. Following on from that we have an objective to see that employment policies are right, that if we are set out to give a service to customers that we give them that service, and if there are any community problems - we recognise our responsibility to the community"

And in the financial sector, we have this from the M.D. of a bank:

> " I think they (the objectives) are changing towards being multi objectives rather than being a single objective. I think we have come away from the maximisation of profit as a single objective, and we now have that objective as the test of efficiency, and it is obviously broken down into subobjectives, such as maximising the return on capital employed and doing better than your competitors, which I think is a very good interfirm comparison; but they are subsidiary to the profit objective. And we have introduced as well an objective to be measurably the best employer in banking - I think one can begin to measure it in terms of staff turnover, pay disputes, and the treatment one gets from the trade union. So very much the question of staff - staff involvement. And I'd go further even than that because I think it isn't just profits and staff it's the place in the community - it's the sort of role the bank has to play in the national scenery."

Under the ethos of balancing interests the soulful corporation has arrived: if the competing interests are somehow reconciled in the short term then all prosper in the longer term. In an attempt to measure how widespread the ethos is, we have tabulated below :

(a) all those who refered in their objectives, or amongst their responsibilities, only to profits; shareholders, or growth of profit;

(b) those who stated some versions of the balancing interests ethos, referring at very least to profits/ shareholders, customers and employees

together with some other combinations of objectives, (c)-(e)

Table 5 I (a) The Stated Objectives of Company Chief Executives

	Type of executive..	Bureaucrat	Family Businessman	Enterpreneur	All
	Number giving reply to this question..........	70	23	10	103*
(a)	Number who saw their objectives only in terms of profit, serving shareholders etc...	21(30)	6(26)	2(20)	29(28)
(b)	Number giving a version of 'balancing interests ethos'............	27(39)	6(26)	3(30)	36(35)
(c)	Number saying profits and employees.........	10(14)	6(26)	3(30)	19(18)
(d)	Number saying service to customers only.....	5 (7)	1 (4)	0	6 (6)
(e)	All other	7(10)	4(17)	2	13(13)

(As in other tables, figures in brackets are percentages.)

*Amongst retired executives 2 were non-executive chairmen. Their views are included; those of other retired executives are not.

The balancing interests ethos turns out to be the single most widely formulated statement of the executives objective for the firm; and there is also a smaller, though sizeable group, who mention employees and shareholders together. Yet overall one must emphasise again that profit or serving shareholders was quite clearly at least part of the objectives of 81 out of the 103 executives giving any reply. This would hardly seem to betoken any conscious deviation from traditional capitalist aims, except for the recognition of the interests of other groups (giving attention to other interests in turn regarded as likely to serve the interests of shareholders, and in turn compatible with paying attention to profits.)

Table I (a) shows that 'capitalists' and 'managers' differ little in the distribution among them of stated objectives. A Chi-square test shows no differences of statistical significance between the two groups (at the 5% level). The next table compares men from different sectors of industry:

Table 5 I (b) Stated objectives of chief executives

Sector	Manufacturing	Service	City	All
Total................	55	35	21	111
Giving classifiable answers to this question.............	49	34	20	103
Saying profits alone................	15 (31)	10(29)	4(20)	29(28)
'Balancing interests'.	19 (39)	11(32)	6(30)	36(35)
Serving the customer*............	0	0	6(30)	6(6)
Profits and employees............	9 (19)	8(24)	2(10)	19(18)
Objectives otherwise formulated...........	6 (12)	5(15)	2(10)	13(13)

(*customer only mentioned) χ^2 tests do not indicate differences between sectors at acceptable levels of confidence.

As can be seen six men from city firms expressed their objectives entirely in terms of providing a service for the customer. Three of these were from insurance companies, two of them mutual funds. The other three were merchant bankers, who expressed the view, which occured also amongst other bankers, that the banks provide services akin to those of the law or accountancy firm. In effect they were asserting a view of themselves as professional men rather than businessmen, although we clearly need to interview a very much larger group to discover how widespread this self portrayal is, or how seriously it is meant to be taken

5.3 Capitalists and Managers

As we saw in Chapter 1 the ownership and control debate has partly been concerned with whether in firms which are managerially controlled the directors will have different aims from firms in which families or entrepreneurs remain in control. We have already seen that in terms of their overall objectives for the firm, or their responsibilities as company heads, we get a similar pattern of responses from the family businessmen and entrepreneurs as we do from the bureaucrets.

On the basis of the statements made in the interviews we would suggest that in practice the objectives, aims and even styles of management of family controllers are not likely to differ greatly from those of bureaucrats. (Indeed there were slight indications that family businessmen were sensitive to charges of inefficiency in the firm, and were keen to demonstrate that they were as competent as managers would be in the same position. Thus there were references to the openness of promotion in their company, their own management training, and the use of various management techniques). It should be noted that these generalisations are being applied only to family men controlling larger firms. That is those that came into this study, not small firms as referred to by the Bolton Committee (1971) or Boswell's (1973) study. Equally we do not include entrepreneurs, with second or subsequent generation family controllers.

In this context it is of some interest to compare the firms in the study using some objective measure. Thus the next table compares firms in the commercial (i.e. non-City) sector on the mean rate of return on capital earned in two years 1974-1975.

Table 5 II (a)[1] Mean Rate of Return Earned by Companies under Different Types of Control

Type of control	Mean rate of return	No. in sample
Managerial	23.1%	54
Family business	21.7%	22
Entrepreneurial	25.2%	8

Analysis of variance indicates that groups cannot be said to differ at acceptable levels of confidence.

As can be seen from the table, rather than the capitalists per se making higher rates of profit, it is only the entrepreneurs who do. In fact the family businessman obtain, taking the mean, a lower rate than the bureaucrat-controlled firm. In fact this is not statistically significant because the spread of rates of return is so

1. Rates of return used were taken directly from those given in the Times 1000 list of companies. The rate is that before payment of interest and tax, based on assets of the company at the beginning of the financial year.

wide. The next table shows the actual distribution of rates of return, and again we found no significant differences between the three categories of company.

<u>Table 5 II (b)</u> <u>Rates of Return and Type of Control</u>

Type of control	No. of firms	Number of firms earning			
		Less than 15%	15-25%	25-35%	Above 35%
Bureaucrat	54	8(15)	34(63)	7(13)	5(10)
Family	22	4(18)	10(45)	6(27)	2(9)
Entrepreneurial	8	2(25)	1(13)	4(50)	1(13)
All	84	14(17)	45(54)	17(20)	8(10)

(χ^2 = 9.69; 6 degrees of freedom; not statistically significant at acceptable levels.)

There are clearly many criticisms that can be levelled at these tabulations. They compare firms across sectors, when certain sectors may have a concentration of one type of control or another. The sample of firms is small, and rates of return have been taken for only two years. Equally the rates may not be properly standardised, and thus comparable.

Nevertheless, were the data modified to meet such criticisms it seems unlikely that our principal contention would be overturned which is that amongst firms under different types of control the rate of profit on capital varies and no type of control can be said definitely to produce higher rates. The evidence here is not in line with that of previous studies (eg. those of Florence (1961); Kamerschen (1968); Monsen, Chiu and Cooley (1968); Radice (1971)). However the review of such studies by Child et al (1975) makes it clear that there is little agreement among them.

Of course one explanation for the slightly greater rate of profit earned on average by bureaucrat controlled firms would be that some are misclassified. A refinement of this would be to see firms as falling into a more complex pattern of control types, as recently suggested by Francis (1976). In such a pattern aside from managerially controlled firms, we would also expect to find firms under the control of financial controllers, who might represent the institutions, or hidden interest groups.[1] It is certainly not clear from the interviews which firms if any were miscategorised. However one might suggest that if such control operates, then it is very likely that the chief executive himself is such a financial controller, especially if he is the chairman.

Again it would take some investigation to establish just which such chairmen are. But from the discussion in Chapter 4 it may be suggested that they

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1. Francis gives the example of Debenhams, in which an incoming Chairman is said to have been a representitive of finance control. This would seem, from the facts in the Debenhams case, to be disputable; but it illustrates the principle.

are likely to be men born into high social status families, and which may be distinguished in the way such families are. In other words to be men who would rate in the top section of the social status index proposed in the previous chapter Section 4.6. Thus it is of interest to compare the mean rate of return of firms with executives of varying social status, as measured by the index.

Table 5 II (c) Rate of Return and Chief Executives' Status

Social Background of C.E.	Mean rate of return
Social Status I	19.7%
Social Status II	20.2%
Social Status III	23.9%
Social Status IV	27%
Foreigh born executives	30%*

(* There were only 6 of these. Analysis of variance shows no significant difference between groups for groups I to IV)

Now on the index as it was developed (Chapter 3), position I contained the men of high social status in family background; position IV those of the lowest social status. According to the hypothesis just advanced, Group I should be most in contact with and may even be part of, the traditional capitalist class. But this group achieves the lowest rate of return on average whilst the men of lowest social status achieve the highest rates of return and foreign born men do better still.

However the differences are not statistically significant, and it should be pointed out that, with relatively few firms in each group, mean rates of return can be boosted by just a few very high ones. Indeed we noticed a few relatively new companies in industries such as chemicals, electronics or service areas, which made unusually high profits and were headed by foreign born men or those in groups III and IV.

Thus it may be that men of lower social status tend to enter the newer industries. But the spread of firms was so wide that we were not able to make a comparison between different sectors of industry.

The tentative conclusions from our own data however is that most top businessmen have similar objectives for their companies, and that differences of environment, history (and managerial competence) are more likely to account for differences in rates of return that whether managers or cpaitalists are in control.

5.4 Family Connections

In the final stage of interviewing the sampling was specifically designed to give a comparative sample of family businessmen/entrepreneurs and managers (bureaucrats). And we specifically asked the members of each group about their own position in relation to shareholdings in their companies.

The answers were revealing in that each group appeared to see its own situation as most favourable to the long term success of the company. Family businessmen and entrepreneurs were asked whether they thought that they would see their responsibilities as directors in a different light if they did not have the specific personal attachment of a family connection with the company. In reply the family businessmen gave three types of answer:

(a) It makes no difference.

(b) We're more concerned with people.

(c) We're more concerned with the long term.

The third type of answer is particularly interesting in the context of the debate over ownership and control, for these family businessmen in some cases were suggesting that managers would be more likely to sacrifice the long term stability or success of the firm in pursuit of high short term profits. Here are some of the replies:

" I think it (having a family connection) makes a difference in that in so far as the family is concerned they're interested in the total financial viability of the company much more than an individual independent manager of a company is. I think when you are taking long term decisions, you take decisions that are different from those you would take if the family were not there - if you are taking action to prevent a merger, or taking action that is short term policy rather than long term policy"

(Chief Executive - large service company)

" No I think the particular edge it gives is the question of timespan. You tend to take a longer view. You expect the family connection to continue. It has gone on for, since whenever, so on normal -eh- extrapolating techniques you will expect it to continue. You take a longer view - you're very concerned not to run the business down, to sacrifice the future for the present - whereas so many of the other pressures are the other way"

(Q. They're to produce a high dividend, or high earnings per share?) "Right - or possibly to sell the business"

(Chief Executive - large manufacturing co.)

" Well things have changed slightly .... Sir - has been away, he's just come back and he's saying 'How dare you say to a newspaper I come into meetings when they're nearly over, and the family connection isn't there' And in a way it isn't. You see we've now got a non family M.D. and a non family finance director. I really look at it as a company. I've got a lot of shares in it. But I've got responsibility to 100,000 shareholders. It's a non family board, so it's gradually moving"

(Chairman - service company)

" No - not at all - this company has been through the rather fraut transition from a family owned company to a widely owned multinational. I knew it would take at least two years for the change to take place. There are certain advantages to the family firm. Before I took up the appointment I talked to 24 chief executives - mixed - from family run and other companies. Our researches show that there is more concern for people in family run businesses"

(M.D. - large manufacturing co.)

In the latter vein at one stage family chairmen blamed industrial unrest on the 'professional manager':

> " In the historical development of British industry it grew up in a family way. The successful manager is the one who's identified with his company, who's known to all the people, and knows them all by their christian names. It was a - what's the word for it - family society. But we have seen the emergence in industry of the professional manager: the professional manager probably comes from the same background as the assembly line worker or the lathe turner but he thinks he's a cut above them - he doesn't like a rude story, he doesn't like drinking beer, he doesn't go to the pub, he's not interested in football ---- to his loss I must say"

(Chairman - manufacturing co.)

We suggested earlier, on the evidence of the table of rates of return (Tables II) that those with ownership stakes had more discretion or control over profitability in any given year. It seems they are not however immune to pressure and may find the drive for profits coming from their own family or even their managers. For one family company chairman stated he was pleased to retire because:

> " the tensions and pressures within a business that are based on cold rational logic are getting greater and greater. And when emotionally you know that it's a wrong decision what can you do ------- you know I think a manager today when he's considering redundancy, lots of professional managers treat this as a necessity in a business. The only thing to do is cut down and wield the axe.

> I think that ought to be the last thing he ought to be doing. But it's very difficult to argue against when he's got a profit target and he's going to attain his figures, and this is the way by which he succeeds."

Both the bureaucrats and family businessmen questioned along these lines came from firms in the top 250 by turnover. The former, however, were asked a slightly different question: would they personally desire a bigger shareholding in their company, and would it be an incentive or change their objectives? Here the pattern of answers was again straight forward: the chief executives replied that naturally they would like more shares because they would then be richer men. But they did not see such shareholdings as an incentive, nor did they think that such shareholdings would lead them to work harder or improve their performance:

> " Honestly I don't see shareholding as giving an added incentive ..... Same thing with options. Options (here) are open to everybody. I can't see why top people should have options and not the office boy. I've had it put to me that because Joe Bloggs has 20,000 shares he might make a different decision from if he didn't. He's a bloody poor director in that case."
>
> (Chairman - large engineering group)

The same man summarised the arguments against large shareholdings:

> " If you have a large shareholding you can never afford to do anything about it. Now I get letters from shareholders saying why don't you have many shares. If I had a hundred thousand,

> and I sold ten, a shareholder would write and say 'why have you sold ten - don't you have any faith in the company?'. And as my old chairman used to say, and we do now have an employee scheme, the workers have quite enough risk working in the company without risking their savings in it".

The point concerning the psychological value of demonstrating one's faith in the company by putting some of one's savings in it was made by several men, including the retired chairman of one of Britain's top five firms. He was also asked:

> (Q. Do you see other companies where the chief executive behaves differently from the way you would behave because he is a shareholder?)
>
> "Oh yes." (Even nowadays?) "Many."
>
> (Q. Did you ever experience any conflict with any shareholding group?)
>
> "No".

On the same topic another retired executive said:

> " I quite honestly would think that the vast majority of chairmen and directors of big companies they haven't a big stake in the company, I think they'd just consider they'd got a job to do."

(This attitude to shareholding should not be taken as betokening any widespread lack of desire for greater financial rewards, since there are frequent complaints about the low level of British managerial salaries, and high taxation (see eg. Fidler (1974))

And one final quote from a manufacturing company chairman perhaps rounds up the managerial position to shareholding amongst those who did in fact see it as desirable:

> " I don't think it makes me feel the responsibilities more keenly. It gives me an added incentive but I don't honestly think it would make any difference to any decisions. But at least it's something one hopes by one's own efforts will improve and give a capital gain in these days. I don't think it affects our decisions. I think it's a good thing to have it because I think people look at it more and think this is our money. So you look at it more and think would I put my money in this venture. It brings it home to you."
>
> (Q. Would you want a much larger shareholding, as American directors often have?)
>
> " I don't think so. We need a balance here. The majority of shareholdings are institutions'. They have a medium and long term interest. If directors' shareholdings were too great I'd always be a bit worried that then they were making short term decisions, instead of what we've got to do. Anybody can make a profit over the next two or three years - we've got to have a balance between the sort and long term.
>
> (Chairman - manufacturing co.)

As some of the quotes above demonstrate there was no sign that the bureaucrats regarded themselves as part of the capital owning class. For all but a small minority the bulk of their income comes from their salaries (see Chapter 4.). In a number of cases when they were asked about their shareholding, or to estimate their wealth, they pointed out that their house would form around half, or an even greater proportion of their savings. Thus there was little evidence that at any stage in their careers they might have changed from seeing themselves as managers to being capitalists.[1] In any case, as one or two

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1. Such a generalisation might not apply, in contrast, to top American executives. The top salary paid to a 'manager' in a U.S. company was £570,000 in 1976. See the Sunday Times, April 17, 1977.

said, their own shareholding acquired over a lifetime would always be very small compared to the size of holding that, for example, a pension fund could build up in a short time.

The retired executives were specifically asked whether they had as chairman/chief executive, regarded themselves as primarily the representitive of shareholders or the most senior manager; their answers reinforce the point:

> " Well both. I always thought I was the boss. Nobody dared to argue with me on the line management. On the Board I had to be democratic. On occasion I changed my mind after listening to the Board's views".
>
> (Retired chairman - electrical firm)

> " Certainly not a representitive ...... just somebody with a job to do."
>
> (M.D. - engineering group)

> " Very much the first (a manager). To try and make a success of the company with responsibility for everybody who worked there, and to customers. The shareholders were one group but there were others. And I suppose to me it was always the people who worked there that I felt the major responsibility to."
>
> (M.D. - engineering group)

> " Oh it's a very theoretical sort of question. It's not black or white. I regarded myself as responsible for all that (the company) did even if I didn't know it was being done. I certainly accepted that if shareholders weren't satisfied I was the man who had to answer them, and be answerable to them. But I wouldn't say that was the predominant moving force. It was that there was a great enterprise and you sought to see the enterprise performing well.

That was the first thing."

(Chairman - chemicals)

If we turn now very briefly to the third group, the entrepreneurs, then our, admittedly small sample, present a different picture again. They tended to view both 2nd generation family businessmen and professional managers as lacking their own dynamism and flair. Thus one specifically mentioned the lack of opportunities for entrepreneurs as the cause of Britain's problems.

In contrast to those who have risen through established firms this group may well see themselves as capitalists. One opined that "I always say that if we had another 100 millionaires in this country we wouldn't be in the mess we're in." Another spoke of industrial relations in his firm as 'relations between labour and capital'. And a third, talking of his own motivation, said:

> " I never thought I would do anything else but come into industry. My heroes in my youth were the robber barons in the States, the Vanderbilts, the Mellons, the Jim Fisks. My bedside reading was always Fortune and so on."

5.5. Long Term and Short Term Goals.

We have suggested so far that the evidence of the interviews leads to the conclusion that businessmen do not have goals for their firms that differ fundamentally from the traditional goals of the capitalist enterprise. And we also found that firms run by different types of controllers could not be shown to produce different rates of profit. There was evidence however that the bureaucrats' pursuit of profit as a goal was not due to any view of themselves as members of the capitalist class. Rather we stand by the earlier suggestion that for a significant proportion there is an adherence to an ethos that sees the goal of profitability as compatible with the interests of all groups connected with the firm, and in the long run, vice versa.

We have tended to talk rather vaguely of 'profitability' or maximising long term profitability as being the goal. So did many of those interviewed. This provokes a further question; if maximising long term profitability is the goal, what do businessmen actually do from year to year, or month by month. In other words what sort of short term goals do they formulate?

We take our answer here from the writing of Newbould and Jackson (1972) and put forward the hypothesis that whilst much of top businessmen's time and energy is expended in taking decisions whose results will not be apparent till several years have elapsed, what they are likely also to do is to attempt each year to make a bigger surplus than in the previous one (if they can a bigger surplus allowing for inflation). The issue here is a complex one, and we can offer only limited evidence[1], but in support of the proposition, it is worth considering

(a) the way in which the interviewees regarded their responsibilities as directors, and

(b) what we call here the 'audience' of the chief executive.

5.6 The Directors' Responsibilities

We discussed in Chapter 1. the responsibilities which management thinkers, and practitioners, have suggested should be the provenance of the main board director. In the interpretation of these by the main board, the overarching objectives must become translated into practical objectives and a division of labour amongst top menagement. A consideration of these, and of the comments of our respondents, indicates that the comparatively large companies with which we are concerned, the attention of the full time executives of the main board is mainly concerned with taking strategic decisions that will produce revenue for the company only in the long term. Directors appear to conceive of their responsibilities to a very large extent in terms of taking long term strategic or policy decisions.

1. Much fuller evidence should be forthcoming from the Anglo German project on growth and development of the firm directed in Britain by Child and Siberston, in Germany by Kieser. See Child et al (1975).

If we list again the responsibilities of the director as set out in Chapter 1. (pp. 34-35) they are:

1. To see the company carries on business in accordance with the Articles of Association and to put changes in these to the shareholders and to ensure the long term success of the company, which entails;

2. The safeguarding of corporate assets, having regard to changes in the structure of them.

The Board must further:

3. Approve important financial decisions and actions and see that proper annual reports are given to shareholders in accordance with legal requirements.

4. Select the chief executive, and possibly other executives, and thereby ensure the continuity of management.

5. Audit the performance of management, by receiving and calling for reports on the company and by questioning the chief executive, and other executives at board meetings.

6. Remove the chief executive when his performance is inadequate.

7. Establish the objectives of the corporation, and ensure there are adequate strategies.

8. Establish the basic policies of the corporation.

9. See to the continuity of the board.

When reviewing the first set of interviews in the light of the considerations of the ownership and control debate, it became clear that it was of some interest to devote part of the interviews to a consideration of the directors' responsibilities. In all the remaining interviews, we did so, (using questions in the Schedule given in Appendix 1.). We thus received answers from the nineteen main board directors, nine retired chief executives and 42 full time chief executives, all from companies in the top 250 by turnover.

The first conclusion from these discussions must be that the directors' responsibilities, as set out by management thinkers, are not to the forefront of practitioners' minds (if they are actually known and accepted at all.). Although two thirds of those interviewed mentioned at least one of the nine points above (discounting purely legal responsibilities), it was usual for only a few to be mentioned and then in vague and unspecific terms. The third who did not formulate their responsibilities in the theorists' terms tended to refer to looking after the long term success of the business, for such things as "total responsibility for what goes on in the company" or else to their responsibilities to shareholders, employees, customers, the community, as discussed in 5.2.

The table below summarises the answers which were received. The most frequently stated responsibility was that of creating long term strategies or policies, which was mentioned by 46% of the 68. This was closely followed (often after probing the interviewer) by 'resource allocation', an answer given by 42%. Altogether 42 of the 68 (62%) giving any classifiable answer mentioned either strategy or resource allocation, and this rises to 70% if we exclude the 19 directors who were not cheif executives. In tabulating these answers no attempt has been made to separate the functions of strategy and policy formulation. Whilst one may agree with Ansoff's (1969) argument that the two areas are conceptually distinct, they have not always been distinguished in writings on corporate policy making, and most respondents did not draw a distinction.

Table 5 III How Top Businessmen See the Responsibilities of the Main Board Director.

Type of Respondent:	Main Board Director	Bureaucrat Chief Exec.	Family Owner/ Entrepreneur	All
No. giving classifiable answer	19	28	21	68
% Mentioning as a board function....				
1. Longterm strategy or policy	32	54	55	46
2. Resource allocation	21	50	55	42
3. Monitoring management performance	11	18	40	22
4. Selecting senior management	21	17	30	22
5. Morale/wellbeing of employees	26	11	10	15
(Any of 1 - 4)	42	75	75	66

(N.B. Figures in this table are percentages other than the top line)

Thus long term strategy, or policy; and the resource allocation process are the functions of the director which come most readily to the minds of practitioners. One must state that whereas by 'resource allocation' one is inclined to think of the forward investment, planning and budgeting process, the men who were interviewed tended to insist that they meant also the allocation of key personnel, manpower more generally, and, in come cases, materials, plant or other resources.

Those interviewed did also include, from time to time, a selection of other possible directorial responsibilities of the chairman or particular directors. These included:

(a) Responsibility for the cash structure of the company; and for setting dividends.

(b) Policy and planning on acquisitions and divestments.

(c) Communication inside and outside the firm.

(d) Choosing the Board and successors to it.

(e) Setting top salaries.

(f) Maintaining 'company values'.

(g) Home Government contact and lobbying.

(h) Taking account of Government policy in various countries of the world and its effects on the business; in particular of legislation and currency rates.

(i) Short term investment of spare company funds.

Clearly we do learn something from the answers which businessmen give to the questioning here, but what must first strike the observer is the very limited extent to which the answers to openended questioning correspond to the list of directorial responsibilities prepared on the basis of management theory. There would seem to be four possible explanations for this, none of them mutually exclusive, which it may be worth considering in turn.

The first is that directors do not in fact do the things that theorists think they do, whether the theorists are academics or thoughtful practitioners. This point of view has been argued very convincingly by Myles Mace (1971,1972), who maintains that American board members do not perform duties imputed to them. In his view boards do not, and cannot, establish broad objectives, corporate strategies or policies; rather what they do is to approve these in the form of accepting (or rejecting) proposals for capital allocation. Mace also maintains that in practice directors fail in their duties of asking discerning questions of the president or selecting the president (chief executive). Mace's view of the board pictures it as following the lead of the chief executive and senior managers. Thus it offers advice to the president, adds specialist knowledge to management discussions and acts, if it must, in crisis situations.

Mace's arguments are compelling, though they are more readily applicable to American company boards in which non-executives are often in the majority. But they would not appear to explain the vague or limited nature of our interviewees replies. For one thing, our interviewees were asked to comment on the responsibilities of executive directors, who presumably are involved in putting strategies to the board. Further the functions most frequently mentioned - strategy and policy formulation- are amongst those that Mace says are not performed by the board as such.

An alternative explanation is that whilst boards do the things they are supposed to, not all members of the board act as 'proper' directors. This would perhaps be the view of Pahl and Winkler (1974), who found in the firms they studies that many board functions were performed by cabals or cliques. Indeed some of the members of such cabals were drawn from men right outside the boardroom. It is implied, though not explicitly stated by Pahl and Winkler, that the key function of such cabals is the allocation of resources in the form of capital.

This being the case it would presumably be possible to interview main board directors who were not involved in capital allocation, but purely in operational or technical activities, and so could not give a specific account of a director's responsibilities. However this explanation seems unlikely to apply to a sample so heavily weighted with chief executives, and indeed this was the whole point of choosing this group.

Related to this second explanation is a third possibility which is that it is found desirable by those who run large company boards to leave the functions of the board largely undefined. Certainly one cannot imagine that senior managers are sent away to management school to learn how to be directors. Nor, so far as one can tell, are they likely to be handed a piece of paper on joining the board detailing the principles on which the board will operate, or telling them how to behave. Directors perhaps learn how to be directors by watching and taking part. Thus chief executives may well know in practice what the board does, but never define it.

If many directors do not act as directors in practice then clearly the collective responsibility of the board to which management thinkers refer may be a myth. That this can be the case was most obviously evident in the discussions with the entrepreneurs, who are often not attracted in the slightest to the idea of collective management, preferring rather to regard themselves, together with one or two lieutenants, as controlling the firm. Thus one said:

> " The chairman (himself), the managing director and the finance director are responsible for the direction of the group as a whole. The other directors are in effect technical directors, they look after the divisions."
>
> (Chairman - conglomerate)

Another echoed this comment.

> " I don't think there is a distinctive role of the director. One problem of British business is that the title of director is so much desired. So I prefer not to talk of directors but of the leaders of the business - it could include someone who isn't a director but is management ...... We do tend to regard the board that way, we give membership as a reward. We give it either because the bloke is running a large enough bit of the group, or to assure a part of the company they are being adequately represented."

A third had said he saw the director's responsibilities as protecting the shareholders' interests, paying an adequate dividend, and seeing the firm paid correct salaries. But about his own role he was more specific:

> " All the directors except two have responsibility for some area of the business or some function. Then there is the chairman and M.D. at the centre keeping a taut ship. You must have a good centre where policy is watched and monitored. Despite the policy of decentralisation we centralise the control of finance. Every Monday morning there is a statement of every bank account of every company of ours in the world, so that I can see what the position is. The executive directors are not involved in that, except at board meetings, where it's discussed of course.
>
> We also negotiate bulk buying .... we coordinate finance, lend money on a short term basis .... we look at world trade, consider present businesses and expansion,..... and nowadays politics enters into business a good deal, we spend 10% of our time on the political side."

The fourth explanation for the answers here is that the question was incorrectly designed or the probing inadequate or the interviewing poor in some other way. Thus only generalised and rather simplified answers were received. Without entirely accepting this, there may be some partial truth here, given the equally important point that businessmen are essentially pragmatic, and may not have previously given the questions much thought. Thus some of those questioned reached automatically for the stock phrasing of the 'ethos of balancing interests', and in effect defined <u>to whom</u> they feel responsible, rather that for what. For example, the chairman of one large successful manufacturing firm said:

> " The primary responsibility is the proper conduct of the business - I could write a

book on this if you'd like me to. First the business has to make adequate use of its resources. It has to face up to its responsibilities to its public, which consists of its shareholders, its customers, its employees and the community in which it operates"

(Q. What would you see directors doing that senior managers do not do?)

" Directors are responsible for seeing these things happen. Some directors are managers themselves. We have 2 members on our Board who are non-executive. They have a responsibility for seeing these things are carried out."

(Q. Are you saying that executive directors do the same as managers?)

" Of course I'm not. The director who is also a manager has two hats on. He does his job as a manager, and he has responsibilities as a director which are legal and moral responsibilities.

This particular respondent never did define the director's responsibilities more precisely than this, though he did feel that director's had a different role from managers. But in all, a surprising number (20 of the 70 - 28%) of those interviewed said that main board directors do not perform a role distinctively different from senior managers below them, or else saw it as a concern for a longer time span, or a concern for the whole company rather than just one division.

Thus a director af a large multinational said:

" I think in many ways a director is just a senior manager, although he has certain other legal obligations which a manager, in terms of one division, doesn't have. He also has the inherent status of a director which obviously must vary from one company to another and from one country to another. A director in Germany means something slightly different from a director in Sweden, from the point of view of the way it's perceived locally. But basically I would say he's a senior manager who - he shouldn't think on a functional basis only whatever his damn job is; he's got to think across the total company to a greater extent than a senior manager would."

One argument in favour of a view that poor questioning, or the limited time given to the topic do not account for the limited nature of the interview responses, is that some respondents did produce very full answers that do correspond to the management books. There was a bureaucrat who stated:

" The executive director is a member of the board and a manager. As directors they have the same responsibilities as non-executives. They are all responsible collectively as members of the board for : one, the future policy of the company, it's future plans and growth. Two, ensuring that top executives are properly appointed. Three, providing the resources to the managers that they need. Four, monitoring the progress of the company. They are legally responsible to the shareholders, but they have wider responsibilities to give maximum satisfaction to employees."

Likewise a family company chairman who had extensive management training gave an almost textbook answer :

" Basically the directors in my opinion are the trustees of the company, whose business it is to ensure the company is a responsible corporate body, and to be aware of the needs of its employees, customers, shareholders, the communities in which it operates and the national interest. Their duties are - to judge the performance of the chief executive officer.[1] To accept from the executives ideas

1. This was one of only 2 chief executives who thought the board should judge his performance.

> and strategies for the future and to decide on these. To establish certain basic policies, for example a policy on insider trading, or to purchase from at least three suppliers, or to sell no more than X% to one customer. To decide to keep some authority - over the appointment of the chief executive, and possibly other senior people, and probably over major expenditures."

To sum up the results of this section of the interview one must say that those best placed to say what are the duties of directors seem to find it difficult to articulate them. Over a quarter could see no real distinction between what top managers and the directorate do.

One should also mention that when these points were made in a report to the respondents themselves, a few wrote to the author, suggesting that in the course of a short section of interviews directors could not put together an account of all that they did. What they were likely to do was to talk about their major activities, or that they had most recently been doing. Thus they would only refer to selecting the chief executive if they had in fact been recently involved in doing that.

There may possibly be some truth in this explanation. If this were so, then it would indicate that directors not only conceive of their duties primarily in terms of long term strategic planning, but actually are most frequently engaged in doing just that. This being the case it probably makes little sense to refer to "maximum profits", since there is comparatively little that the men at the top can do in any given year to affect profits without deleterious effects on the long term. In very large companies such activities are in the hands of men further down the line (though if profits fall short of expectations in a given year, top businessmen could perhaps initiate a search for additional profits, or to conceal the real profits, perhaps through hastily drummed up business, or the cancellation of some investment programmes, or devices such as stock revaluation or, rather drastically, through accounting changes.) What the men at the top do is to choose between different areas for expansion, though probably they do lay down guidelines as to acceptable rates of return on capital investment as well as setting targets for annual profits to which we return below.

That the heads of large companies operate in this kind of way is demonstrated when we consider the accounts they give of their current objectives in terms more specific than 'profits' or'balancing the interests of all concerned with the firm'. Here are two, the first from the chief executive of a multinational:

> " We're saying currently, the rate of growth of production in the U.K. is half anywhere else; so, thinking internationally, the areas of growth are Europe, America and Japan. Therefore the investment pattern will change. We'll be putting more money into Europe, America and to a lesser extent Japan ——— The other dimension - in products X we'll be providing only sustenance capital, and may be cutting down. On products Y, a growth area we'll be expanding in several different areas. So there are two dimensions."

The second from a retail chainstore executive:

> " Our longterm objectives are to develop firstly much bigger stores on the edge of towns, or in town centres so long as we have sufficient parking. There are still 450 towns where we have small shops where we would like big ones. Secondly, we's like to devëlop the non food side further. Thirdly we are still looking at the Continent. We have friendly associations with firms in France and Germany. We'd like to expand there. Those are our three objectives."

5.7 On Growth

We have given as our view that there is no conscious dissension from the traditional goals of capitalism amongst top businessmen. Profit remains the aim; and the more thoughtful see longterm profit as beneficial to all connected with the firm. The consensus we suggested is ideological[1], but it is not the result of a conscious belief in shared class interests among managers and capitalists. When we come to consider how those who run large firms try to achieve these objectives we have suggested that inevitably they seek expansion, whilst

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1. We return to this in Chapter 9.

'satisficing' in the short term on profits. (Cf. Simon (1964)).

However it is important to note that businessmen only do this because they have to plan for the long term (cf. Simon, op. cit., and Newbould and Jackson (1972)). They nevertheless do not regard growth as an alternative to profits. When interviewed they tended to justify the desire for growth with such statements as "you can't stand still, if you don't grow you decline", "Managers like to see growth", "if the company's growing there's more for everyone to do, so they're all happy", and "It's easier to manage growth".

Yet those interviewed used growth to cover both physical expansion, growth of assets and growth of annual profits. They may well assume that these go together. Theorists have suggested that businessmen pursue growth as an alternative to profits - so as to control the market, reduce uncertainty or provide positions for managers beneath them. Growth may have such effects - but when we analysed the statements of all those 29 men from nonfinancial firms who referred to growth as an objective, it was found that in 26 cases, they either emphasised that growth must be at the same rate of profitability, or that by growth they meant growth of profits.

On this point it is worth illustrating from two interviews just how overriding objectives of the kinds discussed so far are translated into practical strategies. The first case is the family head of a partly financial conglomerate. His objectives for the firm were, he said: "to keep the maximum number of people employed".

> " I feel we have a moral responsibility to keep the business going. The business is essentially a service business, and thus we depend on customers, so it's easy to say the objective is to serve the customers, but in fact it is to continue the business as a living operation."

But also .....

> " The business has been growing, and we want it to go on growing steadily."

Thus growth is an objective because:

> " if you're not growing you're standing still and then you decline";

Yet the way of measuring growth turns out to be:

> " Profits still is the best criterion. Don't let it be overwhelming but it is the best criterion."

So from an objective of keeping the maximum number of people employed we move to a tangible objective of a steady growth of profits. To take another case, an entrepreneur, head of a conglomerate, had as his objectives:

> "to look after stockholders, customers, employees at all times. I've left out the national interest, which might come in and could be said to come in in any case."

Later however, asked if management shared his objectives, the same man says:

> " they might, but we would not be worried if they did not"

for their objectives are to produce

> "growth of assets per share, growth of earnings per share" (and to maintain) "quality of earnings."

Here again the interests of all concerned with the firm can be combined and reconciled with strategies aimed at growth of profits.

5.8. The Chief Executive's Audience

We have suggested that the majority of businessmen conceive of their objectives for the firm in terms of long term growth of profits, however measured. To do so they must create strategies that not only include plans for investment, but also set targets for the short term. What is the nature of these targets likely to be? On this point we can offer little direct evidence. In our view however Newbould and Jackson (1972) have summed up the most likely way in which businessmen will solve the problem. They write:

> ' It is when one considers textbooks in economics and finance that the disparity between the accepted view and the reality is really marked .... The objective can be regarded as a maximising exercise: with sufficient information (which is always implicit in economics and finance) all decisions can be aimed at producing the greatest possible residual over several years. In reality, of course, the managers choose a course dictated by the fact that less than complete information is available, or a course that lessens the complications of ensuring that every decision should lead to maximum profit: they aim at an increase of the residual compared with the previous year's achievement. It is the growth ethos again; or the contents of economics and finance books as interpreted by managers.' (The Receding Ideal, p.186-187)

On the basis of the interviews we would also hypothesise that another reason why chief executives and their boards will aim to increase the 'residual' every year may lie in the values of the financial analysts of the press, and of stockbrokers, and other investment analysts. This group one may suggest is not powerful in the sense of being able to exert direct pressure but rather because it acts for the chief executive as an audience. At the end of each financial year the audience can applaud or dismiss publically the chairman's performance, and that of his team. Pahl and Winkler (1974) spoke of profit conscious managers as employing a concept of professionalism, akin to that of the actor - 'the ability to turn in a competent performance in any circumstances, no matter how unpromising'. We suggest that actors need an audience.

There are a number of groups who may have an interest in the profits a firm turns in. Employees and their representitives of course will wish to know for their own sake that the company is doing well. Senior managers will be very interested, but are too much involved themselves to be considered as objective judges.

This leaves external groups of three kinds:

1) non-executive directors
2) shareholders - both the socalled 'small shareholder' and the institutions
3) the financial analysts.

So far as the non-executive directors go we saw in chapter 1. that a considerable body of the literature has pictured them as the watchdogs of capitalism - the representatives of the institutions, or of hidden interest groups or else just of the capitalist class per se. In practice there was little evidence that the executive directors who were interviewed felt the scrutiny of the non-executive directors at all keenly. And whilst only a few expressed opinions in the other direction, where they did they were vehement, as for example, the retired executive of thirty years experience on several major company boards who remarked:

> " You go to board meetings for a year or two and you don't contribute anything. I mean you ask questions and all the rest of it .... The important man is the non-executive director who looks after the shareholders' interests. They are the only ones who can sack the chief executive. The others are the slaves; their contracts, their holidays everything depends on the chief executive .... The important thing is: how should the non-executives be appointed? Half of them are appointed by the chairman or chief executive because they're friends of his and they'll keep him in power till he's 90 if he wishes. That's the wrong way of doing it. I don't know what the answer is.....".

Or the merchant bank director who said:

> " I have been absolutely astonished on most of the major boards on which I have sat at the absolute acquiescence of quite senior figures in their own right, who when sitting on another board say very little. Now this is partly a function of the strength of the chairman concerned, partly a function of the way they are appointed; it is partly a function I think of the fact that most of them don't have enough time to give the attention to the job as I see it being done".

These men echo Mace's (1971) and Chandler's (1975) comments on the functioning of American boards. So in an unintended way did the many executives interviewed in this study who insisted that their non-executives were playing a valuable role on the board. For what the value of the role almost always consisted of was in their experience, or the helpful advice they could give, particularly in specialist skills brought from other fields. Non-executives are not regarded by full time executives as the controllers of British industry.[1]

That the small shareholder now has little control over the giant corporation is a well worn theme. The problems that many thousands of individual shareholders face in taking coordinated action to coerce management are obvious. Winkler (1974) has stated that in his experience managers regard shareholders as costs. Likewise a number of those interviewed, including some quoted here, stated that they felt closer to the employees than the shareholders. The small shareholder can vote on annual motions, but if his company's performance is bad he is most likely to vote with his feet and move his investment elsewhere.

The best illustration of the problems facing the small shareholder is to be seen when one attends the annual general meeting of the large firm. The author attended three, all from very large companies. The three could concievably be un-representative; but they do account for hundreds of thousands of investors. One can only say that until one has seen it, one cannot comprehend the

1. The need for better non-executive directors is periodically raised by the British financial Press. See eg. 'The search for the Superdirector', Sunday Times, July 27, 1975. 'Wanted now a new breed of watchdog in the boardroom', Sunday Times, August 21, 1977. Also: 'Men who sit where the buck stops.' Financial Times, September 19, 1975.

difficulty which the average small shareholder has in even getting questions answered. At none of the three did shareholders ask for or gain information on the performance of the company. Nor were there present 'the professional shareholders' whose activities at the A.G.M.'s of American firms have been vividly described by Brooks (1971). Indeed the meetings seemed to have a considerable representation of senior employees of the firm, and their wives, who looked unfavourably on pointed questioning. Such questioning as there was came from what are, in effect, outside pressure groups concerned with such issues as smoking and health, experiments on animals, pollution or South Africa.[1] Small companies may be different in this regard, but their chairmen's reports of them did not make them appear so.

Of course there can be occasions when the small shareholder is courted, as when a board splits into two factions over a take over bid (as in the case of the first attempt by P & O to take over Bovis, in which the votes of small shareholders did count[2]).

The increasing percentage of shares owned by

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1. It may stand as a comment that aside from the Lonhro meetings of the early seventies, the most exciting A.G.M. reported in the press in recent years seems to have been that of Derby County Football Club. See eg. The Guardian, Wednesday November 10 1976. 'Clough casts a long Shadow'.

2. One merchant bank commissioned some market research on this point to find out what influenced the voters. Private communication from employee of Lazards.

institutions, now according to Prais (1977) as high as 40% of all quoted equity, would seem to make them the most likely controllers of industry. And certainly their own analysts do visit firms to talk to the directorate. Yet whilst they might intervene actively in firms which were in trouble, it was not apparent in talking either to the commercial company businessmen, or the directors of financial firms, that they were actively pushing firms in any particular directions. There would seem to be a certain reluctance on the part of the institutions to use their potential power. Certainly no chief executive referred to conflict with such shareholding groups.

There were references however to other company watchers - in particular the analysts of the stockbrokers and the press. One may suggest that for many company chairmen these provide the yearly index of performance. Their comments are public recognitions of the directorate's performance. Thus the head of one large multinational said:

> " If we were really in any trouble, or having boardroom squabbles, the institutional investors would come round .... they have their own analysts and we're under that scrutiny. We're under scrutiny of course from the stockbroker analysts, and the financial journalists."

And a retired chairman spoke in similar terms:

> " I always saw myself as chief executive with the widest conceivable responsibility, obviously aware of the shareholders, actually more aware of ———— (laughs) ———— actually more aware

in a sense - to the extent that you're playing to the gallery you're playing to Patrick Sergeant of the Daily Mail, playing to Lex of the Financial Times. You're playing to the Press commentary. Actually it was most disheartening - you couldn't get shareholders along to attend the meeting. For years at (-) we had great difficulty. You couldn't get the vote of thanks seconded - the A.G.M.'s a formality. I regret this. It's a fact of life one has to accept that the ordinary shareholder doesn't count. I don't think one's very conscious of the shareholders directly as people. One's very conscious of the institutions, of the stockbrokers, the press."

The press can also make those who are free from potential pressure from institutional shareholders, that is the family businessman and entrepreneurs with high personal stakes,feel that they are under pressure. This was the case with one family businessman, who ran a company in which a proportion of the shares were not enfranchised. His firm's poor performance had attracted considerable comment of which he said:

" I must be honest and say that, although we are highly self-critical, no one could call us smug, the obnoxious publicity we have had is a form of pressure one can't totally ignore."

(Q. The press then have an impact?)

"Yes they do."

(Q. Is there more direct pressure from the City?)

" Well no - direct pressure from the City would be if our bankers were to say your overdraft's too high you've got to get it down. That hasn't happened in any way at all. There's been no City pressure at any stage at all. Rude remarks from stockbrokers one puts in the same category as remarks from the press."

Even relatively successful businessmen can find the attention of the press less than enjoyable. One bureaucrat, chairman of an engineering company put it:

> " I never worry about the bloody city and the stockmarket because that's one thing I have absolutely no control over whatsoever, is it. You come out with your results and pick up your F T and they can be (the company) up, or down, or (the company) better than expected, and I think, well how the hell did they know what to expect because I didn't know myself till last week.. No I talk to the brokers, and the merchant banks, though we tend to have a low profile Citywise. But so what, would it really make us any more profit, I doubt it."

If as we suggest the stockbrokers' and institutions' analysts, and the press, provide the chairmen and chief executives with their audience, then part of the answer as to the short term aims of the latter will be found in what the former look for. Clearly the institutions,because they are obliged to make regular payouts of insurance, or pensions, require and look for a constant flow of dividend. As to how the other analysts judge companies, one simply does not know. But a judgement at any stage can only depend on past performance, particularly immediate past performance, and what is known of future prospects. One may suggest therefore that the minimum way to satisfy these groups, and the one that company directorates will always aim to comply with, is to produce an increase in profit year by year.

5.9 Summary

On the basis of the evidence of what top businessmen themselves said when interviewed we argued that they do not consciously hold goals for their firms that differ from the traditionally recognised aims of capitalist enterprises. Rather we pointed to the prevalence of an ethos that presents the director as the arbiter of convergent interests which may appear to clash in the short term, but in the longer term are believed to co-incide, to the mutual advantage of all. Certainly we could find no clear differences in business objectives between business company 'managers' and those with an inherited connection with the firm, or between these groups and entrepreneurs. The co-incidence of business aims however, does not rest on some shared realisation of class position, indeed members of the three groups recognised the differences between themselves and members of the other two.

Businessmen's principal conception of their role is of the architects, the strategists of the long term future of the firm. As to their short term, year by year, objectives, we still require more evidence. Our own hypothesis is that businessmen seek to achieve a continual rise in the annual profits of their companies. We found no evidence that they were constrained by the non-executive directors of their boards, by the City, the institutions or hidden interest groups of any kind. We hypothesised rather that businessmen's values reflect the values of certain outside commentators: such as investment analysts, stockbrokers and press commentators.