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The Boundaries of “Marketisation”

The Myths About Entrepreneurial Employees

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Businesses’ internal control over market mechanisms is propagated using concepts of the “one-man-enterprise”, the “intrapreneur” and the “self-Ltd.”. At the same time, individual employees are understood to be autonomous entities within the company. This article deals with the myths in management literature about intrapreneurs. It is shown that the contradictory environmental demands within a company are only dealt with by sharing the work out amongst different departments to a limited extent, and are more commonly passed on as paradoxical behavioural demands on the so-called “intrapreneurs”.

1 Introduction

In neo-liberal theory, markets are seen as a particularly rational form of reciprocal relationship. While terms such as “hierarchy”, “bureaucracy” or “control” have overtones of inefficiency and arbitrariness, markets are considered a particularly fair and effective form of distribution of goods. It is implied that corporate division of labour can be particularly well organised in self regulated markets and that central authorities such as the state should keep out of market processes as much as possible.

For some years the market has been increasingly popularised as a central instrument for the *internal* organisation of companies.¹ With the use of key words such as “organisation networks”, “marketisation”, “market controlled decentralisation”, “internalisation of the market” and “strategic decentralisation”, the competition between businesses of varying sizes has been depicted as an instrument for the internal coordination of businesses.

¹ The discussion about internal markets dates back to the early 20th century. The principal first won recognition in general management discussion through concepts such as Lean Management and Business Process Reengineering.

The management thereby simulates a form of capital market in the relationship between the top of the company and decentralised entities and promotes the formation of intragroup work, management, resource and product markets.

While in the beginning the principles of “marketisation” almost exclusively referred to the relationship between company headquarters and organisational subunits such as plants, profit centres or partly autonomous groups, marketisation has since then been increasingly propagated as a model for the relationship between businesses and their employees and for that between workers. Using concepts such as “intrapreneur”, “one-man-enterprise” or “self-Ltd.”, the members of a business are depicted as no longer seeing themselves as company employees- as organisation men or corporate men- but rather as quasi “enterprisers within the enterprise”.²

With these concepts it is proclaimed in management literature that entrepreneurship is required from every employee. After all, according to this logic, it is the company’s aim to undertake something rather than leaving it undone. For far too long “controllers, royal vassals and nitpickers” have concerned themselves with ensuring that employees only do what is allowed according to their job description. It is about time, according to the management rhetoric, to condemn the “feudal economy” within businesses and to make sure that employees no longer work beneath “aristocratic” bosses, but rather operate as autonomous enterprisers within the enterprise.³

Given the prevalent euphoric- sounding management literature about “intrapreneurs”, “one-man-enterprises” or “self-Ltds.” it would be a natural reaction to dismiss the propagation of the “enterpriser within the enterprise” as the latest colourful management balloon and to declare these “enterprisers” to be merely fashionably dressed employees (and thereby

² The fundamental issue is older. Even Schumpeter (1926, p.111) took the concept of the enterpriser from the unity of capital property and function of leadership. In his opinion managers could also act in an entrepreneurial way as “employees” of an incorporated company.

³ Up until now there has been hardly any scientific thought into how concepts of the “one-man-enterprise”, the “entrepreneur” or the “self-Ltd.” could affect the functioning of companies: Sociological, ergonomic or business management studies take either profit centres or partly autonomous groups of larger decentralised entities into consideration or else predominantly quantitatively arranged studies about subjective changes in work demands are carried out, which are however solely restricted to the functionality of organisations.

explain the lack of research into the concept of the intrapreneur). In contrast to profit centres, which have in the meantime been employed as an internal structuring principle in many businesses, there have been few examples until now (and also in scientific thought) of companies for which the "intrapreneur", "one-man-enterprise" or "self-Ltd." shapes their appearance. This gradually indicates how a "conglomerate of internal enterprises" can function and to what extent it differs from a "company with employees".

Regardless of the still low diffusion rate of the concept, the vision of the intrapreneur as a model is in the meantime influencing a succession of reorganisation projects, the consequences of which can already be observed in the businesses. The concept of empowerment is orientating itself in much the same way as the concept of target agreement on the model of "intrapreneurship".

Below, I take the concepts of intrapreneurs, one-man-enterprises and self-Ltds. to their word in order to bring out structural problem areas which can develop as a result of selective introduction of entrepreneurs into the company. Three myths of management literature, "adoption of intrapreneurship at all levels", "intrapreneurship makes employees the new leaders" and "integration of employees into the business through intrapreneurship" serve alongside as a starting point for my sociological line of argument.

2 Myth: Intrapreneurship will be introduced at all levels of the organisation at the same time

The perception in management literature is that marketisation will be implemented at all levels of a business- at that of profit centres, groups and teams as well as that of individual employees. This is the case, for example, in one of the leading management books, in which the concept of the "enterpriser within the enterprise" is propagated so that the "entrepreneurial understanding, thinking and behaviour of all employees" is questioned (Warnecke 1992, p.226). The head of IBM, Lou Gerstner, naturally takes as a starting point the fact that his colleagues enjoy winning- "as individuals and as a team" (quoted in Schmidt 2000, p.38).

The scientific analogy which is used for this acceptance of market-moderated principles at all levels of organisation is that of the self-organised fractal. The idea of the fractal- orientated management doctrine

is that decentralised entities should adapt themselves to the ever-changing general framework through self-organisation. In this process of self-organisation, according to this presumption, profit centres, groups and teams as well as individual employees become similar in the way they function. Every fractal, and consequently every position in the firm, should function in the same way as the whole business. This results in the most widespread efficiency and independently solved task possible. The coordination between the individual fractals takes place through market-moderated organised service relationships.

2.1 Not everybody can be an enterpriser – contradictions in the concept of “enterprisers within the enterprise”

In management literature, the conception of the “intrapreneur”, “one-man-enterprise” or “self-Ltd.” is construed as a “win-win situation”. This takes as a starting point the fact that all members of an organisation can profit from the implementation of “entrepreneurship in the enterprise”, as long as they willingly stick to the principles of entrepreneurship.

This, however, overlooks the fact that the various “intrapreneurs”, “one-man-enterprises” and “self-Ltds.” within an organisation are, as a rule, so interwoven with one another that they curtail one another’s freedoms. The freedom of one, according to an old view of social science, is the insecurity of the other.⁴ Even one of the founders of business management, Erich Gutenberg, asserted that the gain of freedom, and consequently entrepreneurship, can only be bought by the relinquishment of freedoms in other areas of the organisation (cp. Gutenberg 1983, p. 273).

The fact that ideas about intrapreneurs do not gain acceptance amongst all employees of a company without problems becomes particularly evident when people involved at different levels of the organisation are concerned. Degrees of freedom on the one level in no way determine equal independence on the other. Self-control on one level can on the contrary mean external control on the other. These ideas are developed below by

⁴ Luhmann, for example, takes up an old argument of Parsons’. Parsons objected to attempts to democratise all institutions and to leave to the individual all decisions pertaining to them, arguing that this would only work if the individual people involved had no relationship with one another. The moment that assumptions of social interdependence between individuals are acted on, individuals can no longer make decisions which concern them because the freedom of one becomes the insecurity of the other.

means of the interplay between three levels in decentralised enterprises—the profit centre, groups and individual employees.

Firstly, the interplay between profit centres and employees: the appointment to head of the profit centre is tied to an increase in power when compared to a classic intermediary management role. While a head of department in production must always coordinate with colleagues from departments for quality assurance, purchasing or construction, the head of a profit centre has, as a rule, all the important functions incorporated in his domain. Only by taking on the overall responsibility for quality, stocks, appointments, employees, costs and throughput time can he be made responsible for the market success and the resultant win or loss.

This development from "small enterpriser" to management level of the profit centre does not necessarily lead, however, to his colleagues also becoming "intrapreneurs". The opposite is in fact partly the case. Just returning to the concept of intrapreneurs, authoritarian management structures can develop in profit centres. The profit centres can become small principalities with very harsh managers. It is precisely the pressure on profit centre managers from company headquarters which can lead to them feeling compelled to directly interfere in the work of their colleagues and to limit their autonomy.

Secondly, the interplay between profit centres and teams: in the literature, a distinction is made between a strategic market-orientated decentralisation and an operative decentralisation put into practice in a work process. The interrelation between operative and strategic decentralisation is not so uncomplicated as is commonly suggested. The management of a profit centre is passed on to a manager who will act as an enterpriser within the enterprise.

Included in this entrepreneurship is his ability to make decisions about the internal structure of the profit centre. If the company holding decides that employees should be motivated to greater, more entrepreneurial thinking by the introduction of partly autonomous groups, this can be perceived by the profit centre manager as a restriction of his autonomy. He may make reference to the fact that he can only be an entrepreneur when he simultaneously stipulates how his profit centre is organised. This can lead to the manager deploying and cancelling teams almost at random and justifying this action with reference to his entrepreneurial autonomy.

Thirdly, the interplay between groups and employees: in the group work literature it has long been taken as a starting point that the options open to individual employees are broadened through group and team work. Group work particularly is understood as a consequent continuation of job expansion. But even in the early eighties it was critically noted that partly autonomous groups would not necessarily mean freedom of authority for their members. It was argued that the autonomy of a group of people cannot be equated with that of an individual because the group members can repress one another.

Many empirical studies have since shown that the pressure on individual employees within partly autonomous groups compared with classic Tayloristic labour organisation commonly increases rather than decreases (see an overview in Fröhlich/Pekruhl 1996, p. 112 et seq.). A dynamic frequently develops in groups which does not lead to self-development and social recognition for its members. On the contrary, group work is commonly felt to be a “source of power-exertion and aggression, contempt and discrimination”. The pressure is therefore perceived by the group members as even stronger because deviation from the group norm can be harshly sanctioned. While managers must as a rule keep to the company’s official catalogue of sanctions (caution, withdrawal of salary, dismissal), groups can impose their sanctions on deviant group members much more extensively. The sanctioned group member has very little opportunity to complain to the manager because the power relationships within groups are very diffuse and attracting attention from outside the group to conflicts within it is often negatively sanctioned as an uncooperative deviance from the unwritten rules of the group.⁵

2.2 Internal conflicts and informal processes of attenuation

What happens nowadays when a business uses concepts of the “one-man-enterprise” to try and establish autonomy in individual employees on all levels? I have observed the formation of new conflict areas for which,

⁵ The American sociologists Smith and Berg (1987) speak in light of this tendency about the “paradox of regression in groups”. Every process of group formation requires each individual member to restrict their identity and individuality to only a few parts. Groups do not gain their strength through their members contributing as whole people but on the contrary through the retraction of particular areas of individuality on the part of each group member. The process becomes a paradox because groups can only allow their members freedoms when they have beforehand limited their individuality in order to successfully produce a shared group effect.

however painstakingly, attenuation mechanisms must be found within the organisation.

In the enterprises of the welfare state in the second half of the twentieth century, relationships appeared to be unambiguous. As soon as I was recruited by a company and began to work there I became "one of the family": I worked for "Chrysler" or for "Microsoft". With all internal career struggles and conflicts in everyday working life, employees could refer to a stable friend-foe image. The businesses which operated in the same market were seen as the competition. Internally, competition was eliminated and a shared company identity was maintained: "us vs. the rest of the world".

In businesses which try to control internal processes of market and competition mechanisms using the concept of the "intrapreneur", this clearly defined friend-foe image becomes blurred. It has already been generally asserted in the most recent studies of decentralised organisations that a social-Darwinist climate has developed in these organisations. The main social-Darwinist feature is illustrated, as a rule, by conflicts at the same level of the organisation: business divisions and profit centres compete for tight resources. Different departments of the same company find themselves in competition with one another. The internal competition is to an extent stronger than the competition with business rivals. On the employee level the "doers", "day managers" and "what does the world cost- types" compete with one another and the climate amongst colleagues becomes tougher.

This competition between entities at the same level is added to by the competition between different levels through the introduction of "intrapreneurs" on all levels of the organisation. The profit centre manager is not only in competition with other profit centre managers but also with his colleagues, who try to establish themselves as "enterprisers within the enterprise". The group enters into competition with employees who try to establish themselves as "intrapreneurs".

In decentralised businesses this does not generally lead, however, to an outright fight of "everybody against everybody else". This relates less to management endeavours towards (re)integration of employees (keyword: business culture, corporate identity), but rather to the informally developing mechanisms for regulation of conflict. It can be observed that the concept of the "intrapreneur" undermines the perception of partly autonomous group work which has become popular in management in the last few

years. A decision against collaborative work in permanently fixed groups is made more unconsciously than consciously because of the orientation towards “demanding entrepreneurship from every employee”. Permanently changing teams are more likely to catch on than fixed groups with clear-cut tasks and members due to the propagation of the concept of the “intrapreneur”.

The realisation of entrepreneurial behaviour at all levels of the company appears to be an illusion. Even when the intrapreneur is propagated as a central structural feature of the company, informal and often unconscious processes develop with which the company employees defuse the threat of competition. The demand for entrepreneurial behaviour at all levels of the organisation can be maintained in management discourse but is replaced in everyday working life by a more realistic form of labour organisation less likely to cause conflict.

3 Myth: employees become the new leaders in businesses through the implementation of entrepreneurship

At first glance it may seem paradoxical to market theorists for managers to call for the internal market- it would eventually lead to the abolition of their profession. Following the logic of a liberal market theory, central leadership is no longer needed by the market. The hierarchies would erode. The many small “enterprisers within the enterprise” would become the “new leaders” in the enterprise and would oust the bureaucratically organised managers.

But evidently the impulsive and frivolous act of public suicide on the part of managers is not taking place. Despite all enthusiasm for internal markets, managers are obviously not vanishing off the face of the earth. Instead, a complex suspension of power relationships appears to be taking place amongst those involved through the strengthening of market principles.

3.1 The fiction of the pure market – the meaning of the social embedding of markets

Neo-classical market theory and economic theory take as a starting point the fact that various contractors offer their goods and services on a market and that those both interested and financially capable compare the quality

and price of the services and goods on offer with one another. The coordination takes place in the markets exclusively on the basis of price, from which all relevant information about quality, deadlines and delivery capabilities is calculated. This leads to a contract between the buyer and seller in which service and consideration are thoroughly specified (cp. the discussion in Baker 1990, p.591).

This ideal typical market seems fair because cooperative relationships for longer periods are not catered for in market transactions. In the market transaction, the vendor is only interested in the buyer's ability (or inability) to pay, and not in his political leaning, gender, nationality or religion. From this perspective, markets appear to be quasi-democratic models with the motto "one euro equals one vote" which distances itself from consideration of "social standing and class", "morals and religion" or "family and friendships".

In this line of thinking, dynamic sampling of the organisation through principles of marketisation and competition can be considered. It is argued that in these companies the capability, motivation and creativity of employees is no longer inhibited by managers who came into their position years previously and now belong to an "old boys" network in which they help one another further up the ladder. Instead, a climate now predominates in which everybody, irrespective of their gender, origin or skin colour, can assert themselves on the internal market by way of their own achievements.

In practice, however, markets have very little in common with this ideal type. Even the grand seigneur of French sociology, Émile Durkheim, developed the idea that only the "non-contractual part of the contract", such as trust and social relationships, enable anything like a free market to develop. From this perspective, markets are not "natural phenomena" which occur when social development is left well alone, but are rather the result of social construction (see Friedberg 1993, p.9).⁶

⁶ From the perspective of society as a whole, Polanyi (1994) developed the idea that the implementation of market principles is always conducted by organised regulatory measures. From this perspective, markets do not develop through liberation of the economy from state control, but on the contrary are made possible *because* of the state as a central authority. Generally accepted formalities such as property rights, freedom of contract and legal security repress free market development and thereby make markets at all possible.

Several empirical studies have since demonstrated the way in which market transactions are embedded in a multitude of social processes. It has been shown that even for supposed prototypes of markets, such as national securities markets, stock markets or agricultural auction markets, the social relationship between traders strongly influences the transaction. The existence of money as a means of exchange has itself neither made direct negotiations redundant nor depoliticised the exchange (cp. Moullet 1983; Baker 1990).

In light of the social embedding of markets, scholars speak of a “fiction” or “social myth” of the pure market and demand that markets be observed in their actual form (White/ Eccles 1986, p.135; Friedberg 1993, p.128). The question therefore begs to be asked how internal markets in which the “intrapreneurs”, “one-man-enterprises” and “self-Ltds.” operate are structured.

3.2 The meaning of objectives, membership and hierarchies in organisations and the important differences between internal and external markets

Directly because markets are socially embedded, it is necessary to bring out the differences between external and internal markets. The boundaries of a company mean that internal market relationships can be organised very differently to the market relationships between the business and its suppliers, clients or partner firms. The assumption that markets are socially constructed is to be understood as a demand for greater differentiation rather than obliteration of the boundaries between the organisation and its surrounding environment. Using three features- objectives, membership and hierarchies- it can be shown that whether a market exists in a social subsidiary system of the economy or in an organisation is a central difference.

On objectives: in contrast to the societies of both antiquity and the middle ages, modern societies do not commit themselves to high-ranking objectives such as the happiness of the people, racial purity or the fulfilment of God’s will.⁷ Accordingly markets, as an important method of coordination within the economy, are not subordinate to a superior objective. Complaints about the “terror of the economy” refer to the fact that markets de-

⁷ Societies which nowadays *do* commit themselves to such an objective risk being discriminated against as totalitarian, ideological and outdated.

velop a life of their own and elude every form of superior "humanitarian" objectives. In contrast to markets: irrespective of whether in an administrative department, a high-tech company or a trade union, objectives such as a more or less amicable gratification of enquiries into identity cards, the penetration of a new ultra-light mobile phone onto the market or the conclusion of a trade agreement with large pay increases play a central role in the orientation of organisations.

From this central distinction between organisations and objectives, it is clear that internal markets are much more firmly orientated towards objectives than external markets. Business divisions, profit centres or departments in internal markets cannot assume that being in the black is a guarantee for continuance in the company and therefore in the internal market. Outstanding performance on the part of an intrapreneur or a one-man-enterprise is just as small a guarantee of their continuance within the corporate group. Urged by strategic advisors to do so, companies constantly change their core competences and redefine their objectives. When a participant in the internal market is at the current time no longer well suited to the negotiated objectives, he is excluded from the internal market processes, quite irrespective of how he is performing. The motto within a company is not simply "do what you want but be profitable with it" but "do what you want but be profitable with it and stick to the (ever-changing) objectives of the corporation."

But the reverse process is also to be seen. A profit centre can continue to exist within a business, even when it has only been making losses over the past few years. While a company with such a deficit would quickly go bankrupt in the "free market economy", it can continue to exist within the internal market because it is financed by profitable profit centres within the system. The background to this development is that the enterpriser does not only work with the aim of being profitable. Motives such as personal fulfilment and Christian missionary work can also play a role.

On membership: A total exclusion from society only takes place in exceptional cases. Most modern states do not revoke deviant citizens' nationality. As the most radical form of exclusion, the death penalty is only used in very few "civilised states". Even the "free" market refrains from global exclusion of buyers and sellers. A machinist would have difficulty in justifying himself if he did not sell his machines to the highest bidder. A buyer of telephone systems does not exclude vendors from the market process simply as a matter of principle. Everybody can participate in external markets, provided they offer appropriate payment.

In contrast to markets, the management of membership is a central feature of organisations. Who belongs to an organisation and who does not is selectively determined (Luhmann 1995, p.16) and this has implications for internal markets. Even though it is suggested in management literature that the “enterpriser within the enterprise” makes his own decisions about what is marketable, decisions about continuance or discontinuance are made within the organisation. A profit centre does not go bankrupt but is always either closed or sold. An intrapreneur similarly does not go bankrupt but is dismissed in the usual manner.

This difference between “inside” and “outside” makes it possible not for market processes to invade unfiltered into various units but on the contrary to work in companies with simulated markets. Internal markets are structured in such a way that the achievements of a profit centre or intrapreneur can be compared to market prices on “free” markets, but as a rule the members of a business are granted the opportunity to accept the lowest price of external vendors. The settlement prices between individual enterprisers within the business are not negotiated by a free-for-all contest of abilities but are determined by company headquarters.

On hierarchies: the age in which society was organised by a strict hierarchy is long since gone. There is no longer any king, emperor or pope who, through his chain of command, can govern various spheres of the lives of the people. Nobody would accept George Bush or Romano Prodi as a hieratically superior leader, the only exception being the members of the White House or the officers working for the European Union. In contrast to modern societies, hierarchies are a central feature of organisations. Despite all the rhetoric about decentralisation and abolition of hierarchy, organisations are unimaginable without hierarchy. It is because of this hierarchy that unions, administrative departments and enterprises can act at all like computable, collective entities because through direction, assurances from management level of the organisation can be fulfilled (Luhmann 1997, p.834).

Internal markets are not at odds with hierarchical coordination in the enterprise, but on the contrary are included in the hierarchical structures. It is hierarchical decisions which decisively structure internal market mechanisms. The recruitment of employees, their assignment to positions, their dismissal or promotion and their salaries form the basis of organisational criteria which are decisively determined by the hieratical head of the com-

pany. They are not in some way dictated by anonymous market mechanisms (Scott 1986, p.255).

It cannot be inferred from the distinction between internal and external markets by means of objectives, membership and hierarchies that a great bureaucratic conspiracy on the part of companies' top management lies behind the marketisation of internal processes. It is often overlooked that decisions about objectives, membership and hierarchies are not centralised at the head of the company. A company's objectives can change without any strategic decisions from top management. An employee can resign from a company when an offer from another firm is more appealing. Even hierarchies themselves can erode without any interference from management level. But one thing is clear- employees do not become the new leaders of the business as a result of the conception of "intrapreneurs", "one-man-enterprises" or "self-Ltds."

4 Myth: the concept of intrapreneurship promotes the integration of employees into the business

It is complained about in management literature that employees were never formerly perceived as important "human capital" and as people were kept out of organisation as much as possible. Employees were not allocated a central role in company rhetoric until the seventies and eighties. "People are the most important resource in the company" (Deal/ Campbell 1982, p.15). "Excellent companies consider their employees as a source of quality and productivity enhancement" (Peters/ Waterman 1983, p.37).⁸

Only through the use of management concepts such as "intrapreneurs", "one-man-enterprises" or "self-Ltds." is it possible to integrate employees and their creativity, productivity and engagement into a company. Employees would have more job satisfaction because of extended freedoms and would therefore identify more strongly with the company.

These notions of the integration of employees by means of the intrapreneurship concept is at first surprising because one would sooner expect a gaining of independence within the company followed by a willing inte-

⁸ Without having to question the claim to originality of Deal/ Campbell and Peters/ Waterman, the ideas can be traced far back. The basic idea can be found in Karl Marx, who stipulated that the capitalist can only make a profit by exploiting external workers.

gration in an organised context. An enterpriser is no longer an “organization man” (Whyte 1958) or “corporate” (Kanter 1983) but is a trader in his own affairs. How is it, then, with the integration of the intrapreneur?

4.1 The dilemma of simultaneous integration and exclusion of employees

The idea has in the past been developed, in the example of the classic bureaucratic organisation, that companies’ management faces the dilemma of integrating their employees into the firm whilst at the same time keeping the option of excluding them open. Within enterprise there is a contradictory demand of both integrating employees, so that their creativity and engagement can be utilised, and also maintaining the fact that they are replaceable, in order not to become dependent on them.

It is argued in system theory that, in contrast to families, organisations are based on the principle of exchangeability of people. Organisations are comprised of members who are only partly integrated. In modern society, one does not become an employee of a company to the exclusion of all else. This only partial integration of employees on the one hand relieves the burden on individual employees because a dismissal from a company does not simultaneously mean an exclusion from other organisations such as sports clubs or even society as a whole.⁹ On the other hand however, this also relieves the burden on organisations because they must no longer feel responsible for their employees as people. The unscrupulousness with which employees are fired is only possible because heads of personnel can be certain that a dismissal does not generally mean an exclusion from society as a whole.

How integration can be organised in enterprises without the destinies of the company and the employee becoming intertwined is the result of everyday processes of negotiation. On the one hand, organisations are constructed in such a way that managers can be replaced as well as employees without the organisation falling apart as a result. These expectations of employees’ conduct are determined through hierarchical positions of rank and by programmes. They specify who should talk with whom and how. However, at the same time company processes are not programmed in such a way that an organisation can operate like a machine. The organisa-

⁹ It is because of this that mass unemployment is so problematic because an exclusion from an organisation is increasingly felt to be an exclusion from society and therefore the pressure on both employees and companies increases.

tion is dependent on the willingness and capability of its individual employees to deal with everyday fluctuation of the company's objectives (Luhmann 1995).¹⁰

There is no eternal compromise for the relationship between employees' inclusion and exclusion. It is always negotiated afresh. How has this been solved traditionally? How does this relationship alter when an enterprise tries to make its employees "enterprisers within the enterprise" using the concepts of the "intrapreneur", "one-man-enterprise" or "self-Ltd."?

4.2 The paradox of an "enterpriser within the enterprise": the enhancement of employment contracts with elements of contracts for work and labour

The contradiction of inclusion and exclusion of employees was classically connected to the employment contract. Although employers like to complain about what they are letting themselves in for in regard to obligations, worries and problems, it cannot be overlooked that enterprises, administrative departments and unions attain a high level of flexibility through employment contracts. While service and return service are specified exactly in a sales contract, such as in the purchase of a stamp or training package, with an employment contract the employer purchases labour in a very abstract form. By signing a contract of employment, the employee is effectively writing out a blank cheque and declares himself prepared to utilise his own manpower, capability and creativity for the purpose of the tasks presented to him. He does not have written into his contract in which areas his performance will lie (cp. Commons 1924, p.184).

¹⁰ Cornelius Castoriadis (1997, p.137 et seq.) described the same process from a Marxist perspective. He argues that there is a fundamental contradiction in capitalism in the fact that employees are simultaneously treated as objects of bureaucratic manipulation and also as self-acting subjects. Management is instructed to exclude employees from production processes in order to maintain the manageability of such processes but at the same time is also instructed to keep employees involved in the process because the necessary flexibility of the production process can only be guaranteed using knowledge acquired in situ. Castoriadis alludes to this contradiction, that processes of creation of value can never run as trivial machines can, but rather always require flexible adjustment from employees who possess the production "know-how". This "know-how" also forces employees to guarantee the functioning of the system by going against the system's own rules to do so, i.e. to deviate from the official rule book in order to ultimately guarantee production.

The deal between employer and employee is structured in such a way that the employee submits to the company objectives, promises to obey hierarchical instructions and is rewarded by the employer with payment, share options and/ or career prospects (cp. Barnard 1938, p.167 et seqq.). A “zone of indifference” is generated, along with its many consequences, inside of which employees may not refuse to follow the orders, demands, instructions and guidelines of their superiors (Simon 1957).

The advantage to company management is clear: employees promise a form of general obedience to orders and instructions specified no further. They therefore enable management to adapt the organisation to altered demands very quickly and without complicated internal processes of negotiation. If every member were allowed the right to permanently offer his opinion to discussion of the structure of the organisation, the formation of flexible, complex structures would never take place (Luhmann 1995).¹¹

The company management pays for this advantage of flexibility, however, with a control and integration problem: because the employment contract does not specify the exact nature of the employee’s achievements, the employee could try to limit his performance. Unlike a contract for work and labour, in which performance is specified exactly and in which it is in the contractor’s interest to produce results as quickly as possible, it is implied that employees try to conserve their labour. Management reacts to this threatening withdrawal of labour through control. From this perspective, the whole history of enterprises in modern industrial society can be interpreted as a struggle for control of this labour.¹²

When companies now experiment with the concept of the “intrapreneur”, the “one-man-enterprise” or the “self-Ltd.”, something significant has occurred in the relationship between inclusion and exclusion. The replacement of employees with independent enterprisers or the substitution of employment contracts with a variety of contracts of work and labour are clearly not taking place in enterprise. “Independent sub-enterprisers”, “quasi-autonomous workers” and “franchisees” are increasing as a general model but organisations do not appear to be solely dependent on this

¹¹ A whole branch of organisation theory is based solely on the idea that the efficiency of a company can be directly put down to the use of the employment contract to enable action without time-consuming processes of communication (cp. as a starting point Coase 1937).

¹² And this can also be said of a theoretically demanding and empirically interesting school of thought in industrial sociology- the Labour Process Debate.

model. A development based only on independent sub-enterprisers would be a waste of the organisation's potential for flexibility and efficiency: the advantages of flexibility attained by the organisations through employment contracts would be lost. Performance would have to be specified exactly in every completed contract and it would be very expensive for every operation to be financially appraised and compared with offers from other contractors (Coase 1937).

In contrast to "real enterprisers"- and this is an important distinction- "enterprisers within the enterprise" do not become the proprietors of the means of production relevant to their creation of value. The unity of "having" (the means of production) and "doing" (the yielding of results), as is the classic case with the self-employed, does not exist for the "intrapreneurs", "one-man-enterprises" and "self-Ltds.". The formulation of the "enterprisers within the enterprise" therefore seems paradoxical.

In the case of the "intrapreneurs", "one-man-enterprisers" and "self-Ltds.", the employment contract is enhanced with elements of the contract of work and labour.¹³ A central instrument with which the employment contract can be combined with elements of the contract of work and labour is target agreement. Through the use of this mechanism, market pressure can be produced within the organisation in two ways: firstly, employees are connected to the market conditions of the company with demands such as "10% profit margin" or "5 % more new clients" (negotiated). Secondly, target agreements can establish internal competition.

4.3 The internalisation of the exclusion and inclusion dilemma

Everything indicates that the dilemma of exclusion and inclusion is not being resolved in the new work structure but is merely being relocated. To both exaggerate and simplify: in the classic tayloristically organised firm, the sides of the conflict between inclusion and exclusion were clear. On the one side was the management, who tried to make as much use as possible of the abstract manpower of employees, already purchased in a lump sum, without becoming involved in a one-sided relationship of dependence. On the other side were the employees, with an interest in conserving their own manpower but at the same time wanting to be as indispensable to

¹³ This model has existed previously- consider for example sales representatives. The difference is that an attempt is now being made to apply it throughout the whole organisation.

the company as possible in order to move their own market value up the ladder.

To again exaggerate, the concepts of intrapreneurs, one-man-enterprises and self-Ltds. tend to shift this conflict to the individual employees. Oswald Neuberger (2000: 73) argues, following Michel Foucault's line of thought, that control no longer comes from one omnipresent boss but that the market is elevated to a single boss from whom nothing escapes and who objectively rewards success and harshly punishes mistakes. The impression develops amongst employees that failures as intrapreneurs are punished not by their superiors but by the alleged "objective consequences" of their own actions. Dismissals and closures of departments are no longer perceived as the arbitrariness of an enterpriser geared towards maximising profits but as the logical consequence of the internal market.

With the introduction of entrepreneurship into the company, every employee is now himself confronted with the problem of inclusion and exclusion. Klaus Peters described the process in such a way that the two wants, which in the bureaucratic, system were neatly allocated to two different people- here the employee who really just wants to go home, and there the boss who wants to detain him against his will- now simultaneously coincide in the same person due to the concepts of intrapreneurship. On the one hand the intrapreneur does not want to work any longer than he has to but on the other hand wants to return to his desk (Peters 1999, p.8).

Questions which were in the past classically posed by top management suddenly emerge as questions of the intrapreneur: is my contribution part of the company's core competence, or should I develop my capabilities differently? Is my contribution enough for the company or must I offer more? Does my labour really have a current market value or am I merely a burden for the firm?

5 Conclusion: paradoxical behavioural demands in marketised companies

It would be all too easy to describe the concepts of the "intrapreneur", "one-man-enterprise" or "self-Ltd." as merely the latest publicity gimmick with which to guide employees. Certainly, these management concepts are not implemented into the company on a one-to-one basis. They suggest a

conclusiveness which in practice is not to be found.¹⁴ With the concepts of the "intrapreneur", "one-man-enterprise" or "self-Ltd.", a development, already foretold in the decentralisation craze of the nineties, is being radicalised: the contradictory environmental demands which face a company are only intercepted by organisational structures to a limited extent, and are more commonly passed on as behavioural demands for employees to deal with instead.

5.1 From the unambiguousness to the inconsistency of behavioural demands

The sociologist James D. Thompson (1967) pointed out that for a long time a central strategy for companies, administrative departments and unions has been to seal off a company's core for creation of value from uncertainties or contradictory demands. Through the development of special departments to deal with uncertainties such as operations scheduling, personnel and organisation, or buying and selling, the assembly line of a car manufacturer, the warehouse and shipping department of a wholesale company or the processing department of an administration are greatly secluded from the uncertainty of the environment and are provided with largely unvarying information.

The division between departments dealing with uncertainties on the one side and a largely stable core for creation of value on the other would in many cases lead to monotonous and tedious working conditions for employees working at the conveyor belt or in the shipping or processing departments. There would also, however, be advantages for these employees. They could expect their job instructions to be formulated in such a way as to be achievable. Wilfred Glißmann rightly called attention to the fact that the exercising of power must involve instructions or orders which are in principle accomplishable. According to Glißmann, severity and cruelty cannot be ruled out and the fulfilment of an instruction or order can result in severe injuries. In the most extreme case imaginable, a command is only accomplishable if the employee who carries it out loses his life. But the following is also true: orders must be accomplishable. Unrealisable commands would damage the legitimacy of the person giving out the orders and the system of command as a whole. If the person giving out orders ut-

¹⁴ Approaches centred around employees do not therefore differ fundamentally from other management concepts which are similarly not to be found in their pure form.

ters an unrealisable command he will no longer be taken seriously by his colleagues (Glißmann 2000:9).

With the concepts of “intrapreneurship”, “one-man-enterprises” or “self-Ltds.”, this “protection” is removed. The functioning of secure roles, to which Luhmann draws attention, tends to be retracted. Employees no longer know what to expect, what they may do and what they may not. There is no longer any protection from the mood swings of those with power within the organisation, nor any relief from limitless responsibility.

5.2 Paradoxical behavioural demands

Employees understand this reorganisation as paradoxical behavioural demands. On the one hand, intrapreneurs are required to compete with other intrapreneurs. On the other however, they should be able to cooperate with other employees. Motto: everyone is pulling in the same direction but only the best prevail. On the one hand, intrapreneurs are required to go their own way, but on the other should not lose sight of the common objectives of the company. Motto: everybody seeks their own way but we all sit in one boat. On the one hand, enterprisers within the enterprise should violate rules and regulations, but on the other should respect the structures set out by the company. Motto: do what you want but do not violate the written and unwritten rules.

Because of these paradoxical behavioural demands, employees find themselves in a classic double-bind situation, i.e. they are confronted with contradictory behavioural demands, both of which must be simultaneously carried out. When only one of the behavioural demands is carried out, the other is being disobeyed. When the employee switches here and there between the behavioural demands, he runs the risk of being accused of unreliability and of having no clear policy.

Oswald Neuberger (1991: 46) pointed out that a possible way of avoiding these paradoxical behavioural demands is to begin a meta communication of them. Employees should internalise the paradoxes of “dependent autonomous workers” and “entrepreneurial behaviour in the enterprise” not as their own problems but as a contradiction inherent in the construction of this new form of organisation. The consequent demythologisation of the concepts of the intrapreneur, one-man-enterprise and self-Ltd. is merely the first step towards this. To adapt an assertion of Rainer Werner Fassbinder (and ultimately of Karl Marx): when one cannot immediately

change something due to its paradoxical character, one should at least describe this paradoxical character (see also Kühl 2002).

Translated by Alice Ashworth

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