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Organizing Business

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Abstract

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Disciplines

Business Administration, Management, and Operations | Business and Corporate Communications | Business Law, Public Responsibility, and Ethics | Management Sciences and Quantitative Methods | Organizational Behavior and Theory | Other Business | Political Economy

ONE

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Central members of the inner circle are both top officers of large firms and directors of several other large corporations operating in diverse environments. Though defined by their corporate positions, the members of the inner circle constitute a distinct, semi-autonomous network, one that transcends company, regional, sectoral, and other politically divisive fault lines within the corporate community.

The inner circle is at the forefront of business outreach to government, nonprofit organizations, and the public. Whether it be support for political candidates, consultation with the highest levels of the national administration, public defense of the "free enterprise system," or the governance of foundations and universities, this politically dominant segment of the corporate community assumes a leading role, and corporations whose leadership involves itself in this pan-corporate network assume their own distinct political role as well. Large companies closely allied to the highest circle

are more active than other firms in promoting legislation favorable to all big business and in assuming a more visible presence in public affairs, ranging from philanthropy to local community service.

The inner circle has assumed a particularly critical role during the past decade. Evidence we shall examine indicates that the 1970s and early 1980s were a period of unprecedented expansion of corporate political activities, whether through direct subvention of candidates, informal lobbying at the highest levels of government, or formal access to governmental decision-making processes through numerous business-dominated panels created to advise government agencies and ministries. This political mobilization of business can be traced to the decline of company profits in both the United States and the United Kingdom and to heightened government regulation in America and labor's challenge of management prerogatives in Britain. As large companies have increasingly sought to influence the political process, the inner circle has helped direct their activities toward political ends that will yield benefits for all large firms, not just those that are most active. This select group of directors and senior managers has thus added a coherence and effectiveness to the political voice of business, one never before so evident. The rise to power of governments attentive to the voice of business, if not always responsive to its specific proposals, is, in part, a consequence of the mobilization of corporate politics during the past decade and the inner circle's channeling of this new energy into a range of organizational vehicles.

Both the emergence of the inner circle and the degree to which it has come to define the political interests of the entire business community are unforeseen consequences of a far-reaching transformation of the ways in which large corporations and the business communities are organized. In the early years of the rise of the modern corporation, self-made entrepreneurs were at the organizational helm, ownership was shared with, but limited to, kin and descendents, and the owning families merged into a distinct, intermarrying upper class. It was the era of family capitalism, and upper-class concerns critically informed business political activity. In time, however, family capitalism was slowly but inexorably pushed aside by the emergence of a new pattern of corporate organization and control—managerial capitalism. Business political activity increasingly came to address corporate, rather upper-class, agendas, as the corporation itself became the central organizing force. If family capitalism was at its height at the end of the nineteenth century and managerial capitalism was ascendent during the first half of the twentieth, both are now yielding in this era to institutional capitalism, a development dating to the postwar period and rapidly gaining momentum in recent decades. In the era of institutional capitalism, it is not only family or individual corporate interests that serve to define

how business political activity is organized and expressed but rather concerns much more classwide—the shared interests and needs of all large corporations taken together. Increasingly a consciousness of a generalized corporate outlook shapes the content of corporate political action.

The large business communities in Britain and America have thus evolved, for the most part without conscious design, the means for aggregating and promoting their common interests. While government agencies add further coherence to the policies sought, the inner circle now serves to fashion, albeit in still highly imperfect ways, the main elements of public policies suited to serve the broader requirements of the entire corporate community. This conclusion is not in accord with predominant thinking, nor with those theories about business-government relations more fully described below. Of these, most fall into one of two opposing schools. According to the first, corporate leadership is presumed to be either too-little organized to act politically at all, or, as the second goes, so fully organized that it acts as a single, politically unified bloc. This book rejects both schools of thought and argues for a new perception, a new theory of the nature of the politics of big business in contemporary British and American society.

A new conception of the business firm is also needed. Most corporate business decisions are viewed, correctly, as a product of the internal logic of the firm. Yet when decisions are made on the allocation of company monies to political candidates, the direction of its philanthropic activities, and other forms of political outreach, an external logic is important as well. This is the logic of classwide benefits, involving considerations that lead to company decisions beneficial to all large companies, even when there is no discernible, direct gain for the individual firm. The inner circle is the carrier of this extracorporate logic; the strategic presence of its members in the executive suites of major companies allows it to shape corporate actions to serve the entire corporate community.

The power of the transcorporate network even extends into the selection of company senior managers. In considering an executive for promotion to the uppermost positions in a firm, the manager's reputation within the firm remains of paramount importance, but it is not the only reputation that has come to count. The executive's standing within the broader corporate community—as cultivated through successful service on the boards of several other large companies, leadership in major business associations, and the assumption of civic and public responsibilities—is increasingly a factor. Acceptance by the inner circle has thus become almost a prerequisite for accession to the stewardship of many of the nation's largest corporations. Our traditional conception of the firm must accordingly be modified. No longer is the large company an entirely independent actor, striving for its

own profitable success without regard for how its actions are affecting the profitability of others. While it retains its independence in many areas of decision-making, its autonomy is compromised. And this is especially true for company actions targeted at improving the political environment. Through the agency of the inner circle, large corporations are now subject to a new form of collective political discipline by their corporate brethren.

Finally, our thinking about democratic politics in Britain and America requires revision as well. The theory of democratic political practice rests on the traditional assumption that individual voters, special-interest groups, and political parties are the fundamental building blocks of the political order. Yet individual action is increasingly structured and mobilized through large-scale institutions nominally apolitical in purpose.[1] Large corporations, through their ability to expand, contract, or simply redefine employment opportunities, productive capacity, and other of society's resources have become among the most important of these large-scale institutions. When these corporations are feuding and atomized, their political impact tends to be inconsistent, at times contradictory, and thus neutralized. When less divided and better organized for collective action, however, they can be very effective in finding and promoting their shared concerns.

Certainly a common awareness among those with wealth, those with economic power, those with titles or in positions of authority has always existed. They have long shared the presumption that by virtue of ownership or performance they had the right to run their own firm or institution, and certainly to veto or compromise reform and other legislative measures aimed at undermining their ability to rule and protect their own organization. Notwithstanding the continuing jealousies between old company money and new corporate wealth, financiers and industrialists, self-made entrepreneurs and professional management cadres, among those at the very top there is now a far stronger sense of an imperative to act together. Rather than defensively protecting only their own company's interests, those in the highest circles of corporate leadership now share a clearer understanding that what divides them is modest compared to what separates them from those who would presume to exercise power over economic decisions from bases other than those of private economic power.

So while a sense of class affinity based on company stewardship can hardly be said to be new, the strength of the bond has increased, and a select circle of those in corporate power are now far more willing to work toward goals that serve all large companies. Through the advancement of consensually determined positions on the issues of the day, this community of corporate leaders has been able to acquire a special role in the democratic process. While voter preferences and prejudices have not suddenly become impotent and special-interest lobbying remains decisive on many

issues, a vastly powerful new institution, with organizational skills to match its economic power, has joined the political fray.

THE UNITED STATES AND THE UNITED KINGDOM

The choice of corporations in the United States and the United Kingdom as the subjects for this study came about as a product of two considerations. A tension between business and state is generic to all capitalist democracies. Disparate industries face a single government, and precisely how the former take their point of view to the latter can be decisive for both the economic climate and the political course adopted for the nation. I will argue not only that this problem is common to advanced industrialized democracies, but that the solution, how the business point of view is promoted, is generic as well. The rise of institutional capitalism and classwide forms of social organization within the business community are a natural product, it will be suggested, of the unpredictability of circumstances facing all large corporations in industrial democracies. In moving to solve the immediate problems of monitoring and influencing their environment, companies have unintentionally and without coordination gravitated toward very similar perceptions of where safety might be. They have done so for reasons that are unique to no capitalist democracy, and indeed for reasons that are common to most.

　　To substantiate this convergence thesis, I have chosen to examine contemporary business organization in both the United States and Great Britain. If, despite their distinct economic histories, political institutions, and cultural traditions, these two corporate communities display many of the same elements of social organization and political behavior, the case for convergence is strengthened. It would be further enhanced if other nations were included in the study and similar findings emerged among these others. This general confirmation, if it did come, however, would be at the expense of undertaking a more intensive analysis of the smaller sample. Since the complex inner structure of the corporate community requires an in-depth study if it is to be properly characterized, I have adopted the strategy of concentrating on the U.S. and the U.K. only.

　　While demonstrating convergence, it is important at the same time to examine divergence. A full understanding of the rise and structure of business political activity in the U.S. and the U.K. requires that one focus on areas of difference as well as similarity. Despite comparable levels of economic development and relatively similar political systems, the American and British business communities offer more than the requisite degree of contrast. The higher levels of British business, especially finance, are nota-

ble for their fusion with elements of the British aristocracy, while the American community is relatively free of pre-industrial traditions. American companies face a less organized labor movement than do their British counterparts, but a more regulated political environment. Entry into the senior levels of British management depends more on "sponsored" mobility, that is, a system in which there is an early identification of those destined to succeed, while ascent up the American corporate ladder is more a product of "contest" mobility, a competition continued till the end. The British "public schools" (what Americans would call "prep schools"), have played a more influential role, and the British universities and professional schools a less influential role, than their respective counterparts in America. Higher proportions of British managers have had an exclusive secondary education than have American managers, while the reverse is true regarding university and professional training.[2]

Corporate behavior is different as well. Productivity and profit levels of U.K. companies are generally lower than those for similar U.S. firms. British enterprises rely more upon informal systems of internal control and evaluation, American corporations on more formalized and bureaucratic hierarchies.[3] Distinct political customs are evident too: British companies give company money directly to political parties, while American firms use the intermediary of the political-action committee. The British public servant and company director are from a similar "social catchment" and thus speak the same language, while the diverse origins of the American federal administrator and corporate managers place them at arms length. A "frank exchange of views" is the prescribed form of business contact with senior civil servants in London; aggressive "lobbying" of federal officials is normative corporate practice in Washington.

Such contrasts help sharpen our image of how business is organized in both America and Britain. The distinguishing features are, nonetheless, largely overshadowed by the presence of high similar elements of transcorporate organization. Diversity is selectively analyzed in what follows, but emphasis is placed on the parallel political responses of large corporations on both sides of the Atlantic to their declining fortunes.

My primary focus is on social organization, less on process and impact. The guiding agenda is to map the complex inner byways of the newly emergent forms of organization in the two business communities and to identify how these forms shape the rise and thrust of contemporary political practices of large corporations and their leadership. By giving this stress to the investigation, two implications follow. First, no attempt will be made to evaluate the impact of the new corporate politics on public policies and the business climate. Second, assessment of the *process* by which classwide

business power is exercised as well receives comparatively little attention. A number of effects and elements of process are touched upon in the course of the analysis, but our central focus is on the organization of American and British corporate politics.

The analysis is based on a range of information sources. These include intensive personal interviews that I conducted with one hundred and fifty directors and senior executives (chief executive officers in many instances) associated with the largest industrial and financial corporations, primarily in New York and London, the centers of commercial activity in both countries; extensive statistical analysis of the careers, political activities, and intercorporate connections of several thousand senior executives and directors of four hundred large British and American companies; numerous documents, many unpublished, obtained from business associations, antibusiness groups, government agencies, and the corporations themselves; and other analytic and historical studies of large corporations, those who run them, and their political activity. The integrated use of these varied information sources permits me to synthesize research compiled over a number of years by a range of American and British investigators.

IMAGES OF BUSINESS UNITY

The ease with which large corporations are able to pursue their joint interests depends, as for any set of political actors, first on their social cohesion and common commitment. Although no informed observer of large enterprises in America and Britain would deny that such enterprises aggressively promote their political interests, whether or not they do this jointly, or in competition with one another, is still a matter of enduring dispute.

Recent studies of the politics of big business could hardly be more divided on the extent to which the corporate community is socially unified, cognizant of its classwide interests, and prepared for concerted action in the political arena. In a number of original investigations, for instance, G. William Domhoff finds "persuasive evidence for the existence of a socially cohesive national upper class."[4] These "higher circles," composed chiefly of corporate executives, primary owners, and their descendents, constitute, in his view, "the governing class in America," for these businesspeople and their families dominate the top positions of government agencies, the political parties, and the governing boards of nonprofit organizations. Drawing on studies of the U.S., Great Britain, and elsewhere, Ralph Miliband reaches a similar conclusion, finding that " 'elite pluralism' does not . . . prevent the separate elites in capitalist society from constitut-

ing a dominant economic class, possessed of a high degree of cohesion and solidarity, with common interests and common purposes which far transcend their specific differences and disagreements."[5]

Yet other analysts have arrived at nearly opposite conclusions. In an extensive review of studies of business, Ivar Berg and Mayer Zald argue that "businessmen are decreasingly a coherent and self-sufficient autonomous elite; increasingly business leaders are differentiated by their heterogeneous interests and find it difficult to weld themselves into a solidified group."[6] Similarly, Daniel Bell contends that the disintegration of family capitalism in America has thwarted the emergence of a national "ruling class," and, as a result, "there are relatively few political issues on which the managerial elite is united."[7] Leonard Silk and David Vogel, drawing on their observations of private discussions among industrial managers, find that the "enormous size and diversity of corporate enterprise today makes it virtually impossible for an individual group to speak to the public or government with authority in behalf of the entire business community."[8]

Observers of the British corporate community express equally disparate opinion, though the center of gravity is closer to that of discerning cohesion than disorganization. Drawing on their own study of British business leaders during the past century, Philip Stanworth and Anthony Giddens conclude that "we may correctly speak of the emergence, towards the turn of the century, of a consolidated and unitary 'upper class' in industrial Britain."[9] More recently, according to John Westergaard and Henrietta Resler, "the core" of the privileged and powerful is "those who own and those who control capital on a large scale: whether top business executives or rentiers make no difference in this context. Whatever divergences of interests there may be among them on this score and others, latent as well as manifest, they have a common stake in one overriding cause: to keep the working rule of the society capitalist."[10] The solidity is underpinned by a unique latticework of old school ties, exclusive urban haunts, and aristocratic traditions that are without real counterpart in American life. Thus, "a common background and pattern of socialization, reinforced through intermarriage, club memberships, etc. generated a community feeling among the members of the propertied class," writes another analyst, and "this feeling could be articulated into a class awareness by the most active members of the class."[11]

Yet even if the concept of "the establishment" originated in British attempts to characterize the seamless web at the top that seemed so obvious to many, some observers still discern little in British business on which to pin such a label. Scanning the corporate landscape in the early 1960s, for instance, J. P. Nettl finds that the "business community" is in "a state of remarkable weakness and diffuseness—compared, say, to organized labour

or the professions," for British businessmen lack "a firm sense of their distinct identity, and belief in their distinct purpose."[12] The years since have brought little consolidation, according to Wyn Grant: business "is neither homogeneous in its economic composition nor united on the appropriate strategy and tactics to advance its interests." Thus, "businessmen in Britain are not bound by a strong sense of common political purpose."[13]

Scholarly disagreement on this question, not surprisingly, is reflected in the textbooks used in university social-science courses. Every year American undergraduate students enter courses whose main textbook declares that business leaders have "a strong sense of identity as a class and a rather sophisticated understanding of their collective interest on which they tend to act in a collective way."[14] But students on other campuses find themselves studying textbooks with entirely different conclusions. They will be taught that the capitalist class has ceased to exist altogether or, at the minimum, that the received wisdom is, at best, agnostic on its degree of cohesion. The required reading in some courses asserts that "the question of whether [the] upper class forms a unified, cohesive, dominant group is still the subject of unresolved debate."[15] The correct view according to the assigned textbook in still other courses is that "until more data are gathered the question of whether national power is in the control of a power elite or veto group remains moot."[16] Still other students, especially those enrolled in management courses, are informed that fragmentation rather than cohesion now prevails. "A great deal of evidence," asserts a text for business school instruction, "suggests that our society is leaning toward the pluralistic model" rather than the "power-elite" model. "Few, if any, books are written about an 'establishment' anymore, suggesting that if one did exist it either has disappeared or is not influential enough to worry about."[17] The theory of the "power elite" is, according to another widely used textbook on business and society, "a gross distortion of reality and the conclusions derived from it are largely erroneous."[18]

Social theory itself divides along this very line. Both traditional pluralist thought and a neo-Marxist strand sometimes labeled "structuralism" have generally argued that the parochial concerns of individual firms receive far greater expression in the political process than do the general collective concerns of business. Competition among firms, sectoral cleavages, and executives' and directors' primary identification with their own enterprise all inhibit even the formation of classwide awareness, let alone an organizational vehicle for promoting their shared concerns. Business disorganization, it is argued, prevails. Arguments based on pluralism and those on structural Marxism radically diverge in the implications they draw from the presumed disunity. To the pluralists, the corporate elite is far too divided to be any more effective than any other interest group in imposing

its views on the government, thus enabling the state to avoid having its prerogatives co-opted by business. But for structural Marxism, it is precisely because of this disorganization of big business that the state can and does (for other reasons) assume the role of protecting the common interests of its major corporations.

Counterposed to both of these theoretical perspectives is an equally familiar thesis, advanced by what are now known as "instrumental" neo-Marxists and by many non-Marxists as well: that the government is more responsive to the outlook of big business than to that of any other sector or class, certainly of labor. According to these theories, this responsiveness is the result, in part, of the social unity and political cohesion of the corporate elite. With such cohesion and coordination, business is able to identify and promote successfully those public policies that advance the general priorities shared by most large companies.[19]

Resolution of these opposing visions of the internal organization of the business community is essential if we are to understand how, and with what effect, business enters the political process, or, in Anthony Giddens's more abstract framing, how we are to comprehend "the modes in which . . . economic hegemony is translated into political domination."[20] But the resolution offered here is not one of establishing which of these competing views is more "correct," for either answer would be, as we shall see, incorrect; in their own limited and specific fashions, both descriptions are also partly true.

Precisely where and how the descriptions are appropriate, and the unique political consequences that result, is much of the story that follows. Developing a more accurate picture of business political activity required going beyond available research and information, for as rich as it already was, essential elements were missing. A customary alternative avenue of settling the question through more abstract theoretical deduction would obviously not suffice either. However valuable such theorizing might be for establishing some conclusions, there could be no substitute for a direct effort, in W. D. Rubinstein's calling, "to comprehend the complexity and diversity of the capitalist elite."[21]

It is this complexity and diversity, or what we have already termed social organization, that is the subject of our inquiry. The analysis is concerned with the puzzle of how such seemingly contradictory descriptions of the business community can be so forcefully maintained in both scholarly and informed thinking. Yet the inquiry is far more than a matter of puzzle-solving. Our task is that of identifying whether large corporations are capable of promoting their classwide political stakes in contemporary America and Britain.

PRINCIPLES OF SOCIAL ORGANIZATION

To facilitate our inquiry, it may be useful to describe several competing forms of internal social organization of the business community. In both countries, the organization is simultaneously structured by a number of distinct principles, of which three are of overriding importance.[22] Each contains a fundamentally different implication for the ways in which business enters the political arena.

The *upper-class principle* asserts that the first and foremost defining element is a social network of established wealthy families, sharing a distinct culture, occupying a common social status, and unified through intermarriage and common experience in exclusive settings, ranging from boarding schools to private clubs. This principle is the point of departure for virtually all analyses of the British "establishment," or the group that has sometimes been more termed "the great and the good."[23] Yet the lesser visibility and heterogeneity of an American "establishment" has not discouraged scholars from treating the U.S. circles in terms analogous to those applied to the British upper class. This is evident, for instance, in E. Digby Baltzell's studies of the national and metropolitan "business aristocracies"; in G. William Domhoff's inquiries into America's "upper-social class"; in Randall Collins's treatment of the pre-eminence of upper-class cultural dominance in America; and in Leonard and Mark Silk's study of what they have simply called "the American establishment."[24]

Many, if not most members of the upper class also occupy positions in or around large companies. But from the standpoint of this principle, these corporate locations are useful but not defining elements. Individuals are primarily situated instead according to a mixture of such factors as family reputation, kinship connections, academic pedigree, social prominence, and patrician bearing. As the upper class enters politics, this principle supports the conclusions that its main objectives would be to preserve the social boundaries of the upper class, its intergenerational transmission of its position, and the privately held wealth on which its privileged station resides. Control of the large corporation is only one means to this end, though in the U.S. it has emerged as the single most important means. Thus, one "of the functions of upper class solidarity," writes Baltzell, "is the retention, within a primary group of families, of the final decision-making positions within the social structure. As of the first half of the twentieth century in America, the final decisions affecting the goals of the social structure have been made primarily by members of the financial and business community."[25]

A parallel movement into British industry is suggested by other analysts. "Without stigma," writes one observer, "peers, baronets, knights and country squires [accepted] directorships in the City, in banks, large companies and even in the nationalized industries." But the entry into commerce, necessitated by political and financial reality, was not at the price of assimilation, it is argued, for the upper class moved to rule business with the same self-confident sense of special mission with which it had long overseen land, politics, and the empire. Aristocratic identity ran far too deep to permit even capitalist subversion of traditional values: "Heredity, family connections, going to the same schools, belonging to the same clubs, the same social circle, going to the same parties, such were the conditions that enabled 'the charmed circle' to survive all change, unscathed, whether economic, political, religious or cultural."[26] Business enterprise is simply the newest means for preserving upper-class station, and, as such, is largely subordinated to that project.

The *corporate principle* of organization suggests by contrast that the primary defining element is the corporation itself. Location is determined not by patrician lineage, but by the individual's responsibilities in the firm and the firm's position in the economy. Coordinates for the latter include such standard dimensions as company size, market power, sector, organizational complexity, source of control, financial performance, and the like. Upper-class allegiances are largely incidental to this definition of location, for the manager is locked into corporate-determined priorities no matter what family loyalties may still be maintained. This is the point of departure, of course, for most journalists covering business, corporate self-imagery, and analysts working within the traditional organizational behavior paradigm.[27] Not only are upper-class commitments viewed as largely incidental, but loyalties to the corporate elite as a whole are taken to be faint by comparison with the manager's single-minded drive to advance the interests of his own firm ahead of those of his competitors. By implication, corporate leaders enter politics primarily to promote conditions favorable to the profitability of their own corporations. Policies designed to preserve upper-class station or the long-term collective interests of all large companies receive weak articulation at best. Capitalist competition and its political spillover might be described as one of the few remaining illustrations of Hobbes's infamous state of a war of all against all.

The *classwide principle* resides on still different premises about the main elements defining the social organization of the corporate community. In this framework, location is primarily determined by position in a set of interrelated, quasi-autonomous networks encompassing virtually all large corporations. Acquaintanceship circles, interlocking directorates, webs of interfirm ownership, and major business associations are among the central

strands of these networks. Entry into the transcorporate networks is contingent on successfully reaching the executive suite of some large company, and it is further facilitated by old school ties and kindred signs of a proper breeding. But corporate credentials and upper-class origins are here subordinated to a distinct logic of classwide organization.

The relative importance of these three principles in shaping the social organizations of the business community has a major bearing on a fundamental question of corporate politics in both countries: To what extent does the corporate community formulate and promote public policies that are in accord with the broader, longer-range concerns of all large corporations? Neither the upper-class principle nor the corporate principle would suggest that the interest aggregation could be effectively achieved, for neither principle organizes company interests in a suitable fashion. The upper class may inveigh against confiscatory inheritance policies, burdensome capital-gains taxes, and state-mandated invasions of its club sanctuaries, but a positive, detailed program for economic growth and profit expansion will not be a foremost priority. Indeed, the presumed continuing supremacy of upper-class British "gentlemen" over corporate "players," even when the former have donned the hat of company manager, is an oft-used interpretation of why government policies are seemingly incapable of rescuing the British economy from increasing stagnation. The source of what American commentators have fearfully diagnosed as the "British disease" has been attributed to the fact that as "businessmen sought to act like educated gentlemen, and as educated gentlemen . . . entered business, economic behavior altered. The dedication to work, the drive for profit, and the readiness to strike out on new paths in its pursuit waned."[28]

Yet if one does not embrace this thesis, and corporate players do not aspire to be taken for upper-class gentlemen, the advance of class rationality is by no means then ensured. If corporate managers all aggressively lobby for policies most favorable to their own enterprises, uninhibited by any gentlemanly ethos, the resulting programs may serve business little better in the long run. This is because "businessmen tend to act irrationally from the point of view of the economic and political viability of the business system," in the succinct phrasing of David Vogel, since what is "rational from the perspective of the individual firm [is often] irrational from the perspective of the economic interests of business as a whole."[29] The thrust of both structuralist neo-Marxism and pluralism are surely on the mark here. The "liberation" of the general interests of business from the "fragmented, stubborn, and shortsighted empirical interests of single capital units" cannot be anticipated if business enters politics on the basis of purely

corporate principles, however much these may have supplanted upper-class rationality.[30]

Classwide rationality, by contrast, should foster public policies far more coincident with the reconciled and integrated vision of most large corporations. Whatever the independent role of the government in liberating the broader needs of business from its atomized units, the extent to which corporate managers and directors are organized around the classwide principle will determine whether they can also independently contribute to the process. If some managers and directors are in a position to help appreciate and identify the public-policy issues of concern to large numbers of firms, not just those paramount to their own company, there is a kind of aggregated voice for the business community. And if they promote these concerns, both individually and through select associations, government policy-makers will hear, though of course not always heed, a point of view far more indicative of the general outlook of business than representatives of individual companies could ever provide.

Upper-class, corporate, and classwide principles of social organization distinctively shape the basic thrust of business political activity. Thus, their relative importance is of fundamental interest for comprehending contemporary corporate activity—from the orchestration of public opinion on behalf of "reindustrialization" to renewed assaults on organized labor and government regulation. The underlying theme of the present analysis is that the relative balance long ago shifted in the U.S. from upper-class to corporate principle, and that American business is currently undergoing still another transformation, this time from corporate to classwide principles of organization. By the middle of this century, family capitalism had largely given way to managerial capitalism, and in recent decades managerial capitalism itself has been giving way to institutional capitalism, bringing us into an era in which classwide principles are increasingly dominant. In the U.K., the corporate principle never quite so fully eclipsed the upper-class principle, but both logics are now yielding there as well to the rise of classwide organization within the business community. This transformation has profound implications for the power and ideology of big business in both countries, and it constitutes a central subject of this book.

CLASSWIDE CORPORATE LEADERSHIP

This study is, in part, about business leadership, but business leadership in a special and unique sense. This term conventionally refers to the role of managing a company. Business leaders are those who occupy the apex of the corporate pyramid; they have arrived there because they possess excep-

tional decision-making, planning, and communication skills. Our central concern here, however, is neither with how their power is obtained nor with how it is structured and exercised within the corporation. Rather, our focus is on how a leadership cadre has emerged whose powers extend far beyond the individual firm, whose responsibilities are those of managing no less than the broadest political affairs of the entire big-business community. The evident absence of any formally defined roles for the conduct of such leadership should not be taken to imply its actual absence, for informal organization has a habit of creatively achieving what formal arrangements could not produce. It is contended here that classwide informal organization—unincorporated, unnamed, and uncharted—but organization nonetheless, has indeed been formed, not through conspiratorial design but as an unintended byproduct of other forces playing themselves out.

It is this informal and thus seemingly invisible character that has made transcorporate leadership so elusive. Believing it absent but knowing it essential, observers have increasingly taken to urging a filling of the void. *Business Week,* for instance, partly attributes the alarming decline of the U.S. economy to the "tunnel vision pervading executive suites," for "today's corporate leaders are . . . business mercenaries who ply their skills for a salary and bonus but rarely for a [broader] vision."[31] Without such vision, the future of free enterprise may even be in doubt, according to an assessment of the Business Roundtable, an association of nearly two hundred chief executives of America's largest firms. "Little in [executive] education or business experience prepares them for participation in the untidy and often bruising public policy process," concludes a Roundtable committee. But the need for such experience is essential, the committee asserts and filling that void is a matter of "top priority":

> Large corporations are highly vulnerable targets for public criticism and government control. Survival in their present form will depend . . . upon the efforts of chief executive officers to make certain that their successors and the oncoming generation of executives develop the ability to participate in the public policy process and to manage the evolving role of the large corporation as effectively as executives must manage the other aspects of their work.[32]

With the assistance of the *Wall Street Journal*'s mass circulation and a little hyperbole, Herbert Stein elevates the concern to a clarion call: "Businessmen of the World Unite." More specifically, contends the former director of research for the Committee for Economic Development and a member of the Council of Economic Advisers under Presidents Nixon and Ford, a militant classwide vanguard is needed now:

> We need a businessman's liberation movement and a businessman's liberation day and a businessman's liberation rally on the monument grounds of

Washington, attended by thousands of businessmen shouting and carrying signs. We need a few businessmen to chain themselves to the White House Fence—and do it themselves, not have it done by their Washington reps.[33]

Though not sharing Mr. Stein's tactics, the business-liberation front has already taken form. An analysis of its inner structure follows.

The analysis proceeds in these steps. The economic and social foundation of the classwide principles of social organization and the formation of the inner circle are developed in Chapter 2. Of particular importance here is the continuing concentration of corporate resources and the formation of extensive transcorporate networks of ownership and shared directors. Then, in Chapter 3, we explore the special organizational features of the inner circle, including its close ties to the traditional upper class and its leadership role in the major business associations. This is followed in Chapter 4 by an examination of the inner circle's unique political role on behalf of the business community, especially in its advisory service to the national government, involvement in the governance of nonprofit organizations, support for political parties and candidates, activist use of the media for communication with the public, and the screening of business access to the highest circles of government consultation. Chapter 5 considers the reactive effect of the inner circle on corporate behavior: though rooted in large corporations, this transcorporate network has acquired an autonomy and power of its own, and it, in turn, can influence company decisions, especially those involving political outreach activities. We show that companies more tied to the transcorporate network also tend to be more socially and politically active. The decisions of companies whose top management is centrally involved in the inner circle, we find, are increasingly subject to the dual criteria of both corporate and classwide logics. The social organization of the inner circle is rooted in its corporate foundation but shaped by events beyond it, and in Chapter 6 we examine how external political pressures, particularly those coming from labor and government, and the problems of a continuing decline of company profits, have added to the cohesion and activism of the inner circle. Finally, in Chapter 7, the rise of the inner circle and classwide principles of organization are related to the broader transformations in modern business accompanying the displacement of family capitalism by managerial capitalism, and alongside the latter, the rise of institutional capitalism.

SOURCES OF INFORMATION

The complexity of the inner structure of the two corporate communities has required the synthesis of a range of evidentiary sources. For the finer

texture of the political culture and social organization of the inner circle, our primary information source is a set of personal interviews with senior corporate managers in America and Britain. For illustrative material on the byways and actions of the inner circle, a wide array of documentary and business press sources are utilized. For systematic analysis of large corporations and their leadership, we rely upon four large-scale bodies of data specially assembled for this inquiry.

Interviews and Documents

Since the boundaries of the inner circle are unfixed, its rules unwritten, and its relations informal, it operates quietly and escapes notice. Systematic data sets are required to reveal the otherwise largely invisible contours of the internal social organization of business. Yet even they cannot fully capture the complex informal mores and principles of operation that structure the political work of the inner circle, and for this there could be no substitute for direct contact. To this end, I conducted personal interviews with seventy-two directors of large British companies and fifty-seven executives and directors of large American corporations. The interviews required approximately one hour on average, though they ranged in length from forty-five minutes to well over two hours. All were undertaken in London during December, 1979, and January, 1980, and in Boston and New York City during May, June, and August, 1980.

Interviews were requested with 164 British directors and 162 American directors sampled from two large-scale systematic data sets described in the next section.[34] The British and American interview samples were designed to be as parallel as possible, recognizing that the structure of top management, corporate boards, and business sectors are not identical in the two countries. Half of the directors initially approached were on the board of at least two of the corporations included in the larger samples, and the other half were matched for company sector and size but only served on a single board. An additional geographic constraint was imposed to control the high cost of personal contact: the work place of eligible British directors was limited to greater London, and the American directors were to have office locations in the metropolitan regions of Boston and New York city. Of those contacted for the interview, approximately two-thirds responded to the initial written query. Of these, 58 percent of the Americans and 61 percent of the British were interviewed, 31 percent of the Americans and 18 percent of the British declined the request, and the remainder could not be interviewed for a variety of reasons. Some had retired to residences far outside the metropolitan region, while others agreed to the interview but were traveling abroad during the period of the interviewing. For

one British director, a prolonged absence from the office necessitated by the "shooting season" ultimately prevented an interview; for a second, illness and surgery led to indefinite postponement. For still another, an interview was finally completed, but only after long delay due to an extended mountaineering expedition to the Himalayas.[35]

Entry into the executive suite for the interview provided its own preliminary archaeology on the higher corporate circles. Before a single question can be asked, the itinerant observer recognizes distinct national qualities in the everyday organization of otherwise similar decision-making environments. Corporate hierarchy in the U.S. is encoded architecturally, with the chief executive's suite typically located on one of the uppermost floors of a commanding tower. Spacious windows on two sides of the corner office offer magnificent perspectives on the three-dimensional Manhattan landscape. In the U.K., such physical representation of the chain of command is less requisite, for a second- or third-floor office with no special view in the intimate maze of the "City"—the commercial district surrounding St. Paul's—quite suffices. If power is the subliminal message offered the New York visitor, class is the London ambiance. Express elevators whisk the interviewer to the upper floors for the American appointment; ancient lifts for "directors only," with room for scarcely more than two, deliver senior managers and their special guests to the third floor. The outer room in which visitors await escort into the American executive's inner office is not uncommonly adorned with the plaques and awards received as "businessman of the year" and for "outstanding service" on a range of civic associations, trade groups, and foreign governments. Alongside these plaques and awards are photographs of the principal of the company in the company of instantly recognizable political personalities, Henry Kissinger and Richard Nixon among them. The visitor to the British executive's office meets no such signposts of power. The most recent issue of *Country Life* is often all the visitor is provided to occupy the waiting moments. Tea and, as a concession to an American visitor, coffee, arrive on a silver service once the interview commences; no refreshments of any kind, save an occasional styrofoam cup of coffee, will appear during the American discussion. The difference in cultural style, trivial in itself, is indicative of the emphasis each places on symbols, whether as trappings of corporate power or quiet suggestions of upper-class tradition.

Adding to the interest and at times the substance of the study were those revealing incidents and moments that always accompany personal interviewing. One British manager arranged for the interview to be conducted in his company's comfortable and well-appointed directors' dining room, a setting whose unobstructed view of the outdoor sculpture at the Tate Gallery, the flow of the Thames, and the classic London skyline made

for momentary distraction of the first-time guest. The four-course serving had opened with port and paté and would close with quality cigars, Cuban included. It required two and a half hours to complete and four staff members to serve, and one could not but wonder about the managerial efficiency that must have later compensated for such lengthy noon-time interludes. The conditions made for an unusually expansive discussion. The tape recorder placed near the center of the table, unfortunately, proved more effective at recording the movement of silverware than the passage of conversation. Another British executive, a managing director of a very large firm with global operations, offered a glimpse of how managers can make up for the generous time so often invested in the business luncheon. He left his home soon after 5 A.M. every business day; while his driver negotiated the two-hour trip into London, he negotiated the company's business from the desk and telephone in the back seat of the company Rolls Royce, taking advantage of the early hours to talk with his African and Asian plant managers, who were already well into their work day.

One of the lighter moments occurred when I arrived on the executive floor of one of America's leading airlines. Muffled laughter seemed to emanate from several directions at once. The public-affairs director who was accompanying me to the interview with the airline's president inquired about the unusual ambiance on this normally very subdued floor. He learned that the chairman of the board had just arrived from Kennedy International airport in a grim mood. He had been a passenger on one of his airline's widebodied flights across the Atlantic. Also on board this fully booked flight were some one thousand laboratory mice. Their crate had been damaged in loading, but the European groundcrew felt that its taping of the fractured section would surely suffice. It did until high over the Atlantic. There the freezing temperatures in the cargo hold sent the mice scurrying for the warmth of the passenger cabin, the tape presenting only a momentary barrier. In the pandemonium following the sudden eruption of a thousand mice into the passenger cabin, the chairman is said to have found reason to sink low in his seat and to doze for the remainder of the trip. The executive staff appeared to be relishing the story, but the same could not be said for the man whom I had come to interview and who reported directly to the chairman. As the president sat in his office during the interview that afternoon, behind a desk dominated by half a dozen giant models of his air fleet, he seemed preoccupied by even more than the fact that his company was operating deeply in the red.

There were also moments when the validity of the entire enterprise seemed in doubt. On several occasions, as I was departing from the office of one executive, an executive of another company whom I had already interviewed was arriving. This was of some substantive interest since it

suggested the small world in which members of the inner circle traveled. But in one instance even more was learned. A British director had accompanied me to the elevator, and just as we arrived a previously interviewed director stepped out. The visiting director chuckled to himself and warned me that the man I had just spent an hour with was wholly unreliable and that I should not believe a word he said. The latter director responded that the cautionary advice was entirely warranted, if applied to the former. Both went off agreeing that they had probably contradicted each other on all major points.

For additional background information, informal interviews were also conducted with several dozen well-placed, informed observers. Included in these British discussions were an executive with the London office of an American oil company, the public-affairs directors of two large manufacturers, a former director of one of the key nationalized industries, a top official of the Confederation of British Industry (the major association of British business), the executive director of a large trade association, and one of the Conservative government's current ministers, whose contact with business was extensive. Included in the background interviews in the U.S. were several senior executives who consented to discussions of great length, a financial journalist, the community-affairs director of a large company, staff members of the Business Committee for the Arts and the Business Roundtable (a key association of American business), and the staff of several organizations devoted to research on business.

Complementing the interviews in both countries is a wide assemblage of documents that capture still other facets of these worlds. Among the most valuable are reports and studies, many unpublished, that were obtained through direct contact with such organizations as the Business Roundtable and the Confederation of British Industry; studies produced by organizations that service business, such as the Conference Board in New York, or that service unions, such as Labour Research in London; and, of course, the business press, especially the *Financial Times* of London and the *Wall Street Journal*. Finally, other analytic studies of corporations and corporate managers, now increasingly available because of a revival of research interest in both countries, provide still other elements on which the overall portrait is constructed.

Information on Corporations and Their Managers and Directors

Four systematic bodies of data on large American and British firms and their managers and directors have also been analyzed as part of this inquiry. They are briefly described here.

(1) *American Corporate Executives and Directors and Their Firms.*
The first systematic source of information consists of 3,105 senior executives
and directors of 212 of the largest American corporations. These companies
were selected for intensive examination according to their sector and size
at the end of 1977. The annual *Fortune* magazine compilation of America's
largest companies was used to identify the firms.[36] The sampled companies
included manufacturing firms ranked 1 to 60 and 451 to 500 according to
their sales volume; commercial banks numbered 1 to 25 and 41 to 50, insur-
ance companies from 1 to 15 and 41 to 50, diversified financial firms num-
bered 1 to 10 and 41 to 50, utilities numbered 1 to 5, all by assets; retail
firms ranked 1 to 5 by sales; and transportation companies from 1 to 5 by
operating revenue. Six to eight of the senior-most officers and ten of the
nonexecutive directors for each company were selected for detailed study,
yielding a total of 3,105 executives and directors, or about 14 per com-
pany.[37]

More than fifty sources were scoured to gather information on the
careers, intercorporate connections, and political activity of the executives
and directors. In addition to the usual biographical references,[38] our
sources included annual company reports, alumni directories for elite pre-
paratory schools and universities, compendia of philanthropic-foundation
trustees, lists of presidential campaign contributors, business-association
rosters, and media indexes. Approximately forty other sources yielded in-
formation on the 212 corporations; in addition to the usual economic mea-
sures, these references provided data on a range of noneconomic features,
including philanthropic contributions, investments in South Africa, illegal
and questionable corporate payments, support for electoral referenda, and
directorship links with other corporations.[39]

(2) *British Corporate Executives and Directors and Their Firms.* Par-
alleling this American data set is a range of information assembled for
1,972 directors of 196 large British companies. From the standard sectoral
rankings of the largest U.K. firms prepared by the London *Times* for 1977,
a set of companies was drawn as similar as possible in size and sector to
the American corporations, though precise comparability could not be
achieved because of the differing structures of the two economies. The 25
largest American commercial banks out of several thousand, for instance,
are included in the study, but the consolidation of British banking over the
past century has resulted in the survival of only seven separate clearing
banks. We selected the 60 largest manufacturing companies, 50 somewhat
smaller manufacturers appearing in the middle range of the top 1,000 list,
the 7 clearing banks, the 23 largest life insurance companies, the 15 largest

accepting houses (merchant or investment banks), the 11 largest discount houses, 10 large investment trusts, 10 large real estate companies, the 5 largest retail firms, and the 5 largest finance houses.[40] These 196 corporations are a reasonably representative set of the largest British-owned firms spanning all major sectors of industrial and commercial activity.[41]

A total of 2,211 board positions were associated with the 196 corporations, though 418 of the directors serve on two or more of the boards simultaneously and, thus, the seats were filled by only 1,972 individuals. Merchant banker Philip Shelbourne, then chairman and chief executive of the fourth largest accepting house, Samuel Montague & Co., bears the singular distinction of serving on no less than six: in addition to his own company, he is a director of Allied Breweries (30th largest manufacturer), Dunlop Holdings (16th largest industrial), Eagle Star Insurance Company (8th in insurance), English Property Company (number 1 in property), and Midland Bank (the 4th largest clearing bank). Like Mr. Shelbourne, virtually all the directors are top managers of at least one large company.[42] Examined in another way, two-thirds of the directors on the typical company board are themselves also the senior management of the same company. To obtain information on the directors' careers, intercompany ties, and political activity, we consulted nearly twenty separate sources, including *Who's Who, Who's Who in Finance, Directory of Directors*, company annual reports, records maintained by the British Institute of Management and Confederation of British Industry, and a roster of the trustees of grant-making trusts. Some fifteen additional sources provided information on both the economic and noneconomic characteristics of the 196 companies.[43]

(3) *U.S. Corporate Directors in 1969.* To untangle the temporal sequencing of certain events in corporate managers' careers, it will also prove useful to have a set of directors on whom longitudinal information is available. Accordingly, we have included a special set of American business leaders who were directors of America's 797 largest corporations in 1969. The largest firms are those identified by the standard annual ranking compiled by *Fortune* magazine.[44] Companies were ranked for 1969 in seven general groups: 500 largest industrials and 50 largest retail corporations ordered by sales; 50 largest commercial banks, 50 largest life insurance companies, and 50 largest utilities ranked by assets; 50 largest transportation companies ranked by operating revenues, and 47 other large firms not readily classed with the previous groups. Investment banks and privately held firms are not included on the list, but otherwise the compilation is a reasonably complete roster of the largest U.S. companies. Two or more of the directorships of these companies were simultaneously occupied by

1,570 individuals; 61 percent served on two boards, 22 percent occupied three, and 17 percent held four or more directorships. These multiple directors are selected for intensive study, and, for comparative purposes, a one-in-twenty sample (433 individuals) of the remaining 6,053 directors of only a single firm is included as well.[45] Information on the outreach of these 2,000 corporate directors is obtained from the standard biographical reference source, a directory of members of national government advisory committees and original membership lists for a number of major business associations and exclusive metropolitan clubs.[46]

(4) *American Corporate Executives and Directors Who Serve as University Trustees.* The involvement of corporate leadership in the affairs of nonprofit organizations constitutes a seldom acknowledged but highly important part of business's political outreach. The programs of universities, arts organizations, medical centers, and civic institutions can have a critical bearing on the business climate. The technology of many companies, for instance, is advanced by university-based research, and business depends on a supply of well-trained university graduates for its technical labor force.[47] Moreover, the public image and legitimacy of private enterprise can be significantly shaped by what students learn in the classroom. Efforts by corporate managers to shape university policies, through service on a university governing or advisory board, should thus be viewed as one element of a broader company strategy to better shape its environment. The absence of sufficient detail on this activity in the other data sets dictated the inclusion of one additional representative sample of business leaders—those who are involved in the governance of higher education in the U.S. In 1968 a survey was conducted of more than 5,000 trustees of a cross-section of American colleges and universities; because business executives are frequently sought for university governing boards, a large number of these trustees—1,307—are executives or directors of large corporations. The survey itself yielded extensive information on the trustees' corporate connections, educational philosophies, fund-raising activities, and influence on the policies of their universities. To this has been added extensive information on the characteristics of the institutions themselves, including the social composition of the student bodies, alumni success in corporate careers, and contributions received from business.[48]