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# **Identities in Conflict: Decision-Making and Control in Employee-Owned and Controlled Organisations**

**by**

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A thesis submitted in partial fulfilment of the requirements  
for the degree of Doctor of Philosophy in Sociology



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# IDENTITIES IN CONFLICT: DECISION-MAKING AND CONTROL IN EMPLOYEE OWNED AND CONTROLLED ORGANISATIONS

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## Abstract

While the literature provides numerous and often competing rationales for the introduction of employee ownership and control, a common theme is one of greater organisational harmony, brought about through the establishment of common worker and management goals. However, evidence suggests that this harmonisation assumption is over simplistic and that conflict is apparent in employee owned and controlled organisations. This contradictory evidence arises since the harmonisation thesis ignores both the wider social and economic context within which organisations are situated, and also the social generation of conflict even once the unequal distribution of ownership and control is removed. The impact of social networks on decision-making, control and conflict within employee owned and controlled firms is therefore hypothesised to be more significant than in conventionally organised enterprises.

The conceptual framework on which this study is based contends that identities at work are formed by and embedded within social network relations. Therefore, a contextualised social network methodology is applied to the study of identity alteration processes in employee owned and controlled organisations. In order to ensure access to those aspects of network relations that exist beyond the surface observable event, a qualitative participative method was adopted.

In case study one, NurseryCo – a small childcare ESOP conversion – it was found that, while the function of the ESOP was presented as a mechanism to secure the harmonisation of working relations, employee ownership and control itself gave rise to a number of conflicts.

In the second case study, BusCo – a large bus transport ESOP conversion – the issues of harmonisation and conflict are dealt with through the examination of the collective identity transformations of the management and union collective bargaining groups. It was found that, in addition to the continuation of established conflicts, new areas of conflict had been introduced into the collective bargaining process through the added dimension of the ESOP social networks.

The evidence from the case studies demonstrates both that established conflicts remain unaffected by employee ownership and control and that new tensions are created by the conversion into ESOPs.

## Abbreviations

For presentation purposes, a number of abbreviations have been used in the text.

TGWU	Transport and General Workers' Union
AEEU	Amalgamated Engineering and Electrical Union
NUM	National Union of Mineworkers
CBI	Confederation of British Industry
TUC	Trades Union Congress
DTI	Department of Trade and Industry
BT	British Telecommunications Plc
CDA	Cooperative Development Agency
SME	Small and Medium sized Enterprise
ESOP	Employee Share Ownership Plan
HRM	Human Resources Management
WERS	Workforce Employee Relations Survey
SNA	Social Network Analysis
CNC	Central Negotiating Committee
EBTI and EBTII	Employee Benefit Trust I and II

# Chapter One

## Employee Participation and Attitude Change

### 1. Introduction

Employee participation as an expression is a very broad term under which a wide range of practices can be found. In order for any exploration of employee participation in the UK to capture the full picture it has to encompass terms as wide ranging as industrial democracy, co-operatives, Employee Share Ownership Plans (ESOPs), employee involvement, HRM, collective bargaining, employee empowerment, Profit Related Pay and Total Quality Management. There are however, obvious problems associated with having so many diverse definitions, not least that these terms are frequently used interchangeably and have different meanings for different disciplines and authors.

However, employee participation can be simply broken down into two principal components: employee ownership and employee control. Employee ownership and control are linked in many literatures (and also in popular thought) to attitude changes at work in favour of organisational harmony. This harmonisation is premised upon the assumed unification of attitudes between employees and management. In effect, identity alterations are expected as a result of such organisational changes in favour of employee ownership and control.

However, before attitude alterations at work can be considered, an explanation and exploration of employee ownership and control measures is required.

## 2. Forms of Employee Ownership and Control

The concept of employee participation in organisational ownership and control can be divided into two primary categories: financial ownership and work-related control.

### 2.1 Financial Ownership

Financial ownership schemes take two main forms: individualised and collective employee ownership

#### *Individualised Ownership*

Individual financial ownership schemes are typified by employee share schemes, which involve the distribution of shares to organisational employees. While in the UK, the first Employee Share Ownership Plans (ESOPs) were given statutory approval in 1989; these ran alongside ESOPs that had been founded on a blend of earlier legislation and common law examples (Pendleton et al. 1995; Pendleton et al. 1998).<sup>1</sup>

The ESOP, and other forms of employee share ownership schemes, constitute an

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<sup>1</sup> Numerous studies have been conducted in the USA on the effects of financial ownership, particularly ownership via the ESOP system. The spread of the UK ESOP movement, with an estimated 100 approved schemes (Pendleton et al, 1995), is in marked contrast to the USA, where upwards of 10,000 schemes are estimated to be in operation, covering more than ten million employees (Allen et al, 1991; Hyman and Mason, 1995:109-112).



individualised approach to employee ownership, where ownership is held and can be disposed of individually and is not the property, or under the control, of a collective body. In addition, there is no minimum level of employee ownership under the ESOP form, and ESOPs in the UK have varied from 100% employee ownership to largely insignificant levels of worker ownership (Pendleton, 1995).

### *Collective Ownership*

The second financial ownership approach is collective ownership. Possibly the most obvious example of traditional collective employee ownership is the co-operative, where participation includes both ownership and control elements. Here, ownership is held by the collective for the collective and can only be disposed of by the collective. For this definitional reason, organisations with 100% employee share ownership cannot be said to be collectively owned. Of these firms, the ESOP most closely approximates the co-operative with its emphasis on employee ownership. However, unlike the co-operative the ESOP form does not guarantee collective employee ownership because ownership is atomised, i.e. held individually.

## **2.2 Work-Related Control**

Employee control can be either individual-unitarist or collective-pluralist. Within either category, work-related control is also apparent as direct (i.e. face-to-face) or indirect (i.e. via a representative) employee participation.

## *Collective Control*

Collective control can be apparent in organisations either with or without collective ownership. It can be defined as the collective ability of organisational employees to control elements of their working lives. Unlike most other forms of collective control, co-operatives, due to the small size of the majority of co-operatives in the UK (an average of fewer than 10 workers) tend to use a direct form of collective participation, where each individual has direct access and input to decision-making. However, cooperative employment accounts for a relatively small proportion of the UK labour force and consequently the bulk of the literature on collective control deals with the more conventionally organised and owned firms which have employee control measures.

In addition, due to the small number of workers employed in cooperative forms of collective ownership and control, indirect collective participation is the principal collective control form in the UK. Indirect collective control is associated with representative democracy – where only a small percentage of the workforce have direct access and input into organisational decision-making. For the majority of employees their access to decision-making is therefore indirect, via their representatives. Collective bargaining, for instance, covers 45 per cent of enterprises in the UK (WERS, 1998). It permits a level of control over organisational decision-making via an elected representative or full-time official, usually as part of a trade union network. Other forms of indirect collective participation include social partnership agreements with trade unions, works councils, co-determination agreements, the appointment of worker directors, and joint consultation committees.

By and large the labour relations literature focuses on these indirect forms of collective control, with an emphasis on large, unionised institutions, and the 'them-us' psychology of collective bargaining. There is a noticeable lack of analysis of direct collective control measures - and most attempts at analysis of direct collective control are confined to the specialist cooperative literature. When work-related control is considered, it is often therefore done through the framework of industrial relations. While this is an appropriate literature for oppositional bargaining under conventional ownership conditions, it is inappropriate on its own for organisations with worker ownership rights.

The literature assumes a number of aspects about the work situation that are not pertinent to employee ownership, either in its collective or individualised forms. Firstly, Hyman (1975) defines industrial relations as "the process of control over work relations" (cited in Hartley,1992:9), and in a similar vein, Keenoy's definition encompasses "the administration and control of employment relations" (1992:21). Further definitions of the same sort can easily be found (for example Walker,1979; Hartley,1992), describing collective control but not employee ownership. Secondly, much that is published in the industrial relations literature is based on the assumption that the employee enters into a contractual relationship with an employer who is socially separate, whereas in employee-owned organisations the employer and employee are in effect one and the same, that is a contractual relationship with oneself.

The industrial relations literature also assumes that labour relations are principally concerned with interactions between opposing groups within the workplace.

However, employee ownership means that employees represent (to varying degrees) both labour and capital, and therefore the theoretical basis for oppositional relations is removed. It would appear, therefore that the traditional labour relations model sits uneasily with employee ownership models.

### *Individualised Control*

Individualised control comprises those 'new' forms of participation, which come under and have tended to grow out of the management strategy known as Human Resource Management (HRM). These new forms of employee control comprise more direct (such as briefings groups) and individualised (e.g. attitude surveys or suggestion schemes) forms of employee work-related control. Most of these forms are conflated in the literature into the terms *employee involvement* or *employee empowerment*. These participation measures may seek to bypass traditional collective control mechanisms, such as trade unions, to run parallel with them, or operate as a route giving access to employee voice where unions are not present. One such alternative to collective bargaining offered by the literature is 'Japanese-style' management and production techniques, which are typified by low levels of unionisation, low levels of apparent conflict and relatively high levels of individualised worker participation in local (i.e. work station) decision-making.<sup>2</sup>

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<sup>2</sup> Labour relations of this form are purported to lead to increased employee and organisational flexibility. Therefore 'Japanese-style' employment relations "flies in the face of efforts to formalise, stabilise and bureaucratised employment relations" (Hartley, 1992:6) and as such is distinct from the more structured and collective traditional collective bargaining.

## 2.3 Degree of Work-Related Control

In addition to the forms of work-related control outlined above, employee control exhibits varying levels of influence. Employee participation in conventionally owned and organised firms can vary from task-related (i.e. at the workstation) to strategic level (i.e. at board or corporate level), and the degree of control at either of these levels also varies greatly from information sharing, through consultation to negotiation.

### *High-Degree Influence*

High degrees of employee control occur when employees, either directly or indirectly, acquire significant control at strategic decision-making level. To qualify as high-level control, this input into organisational decision-making must be more than merely consultative, employees must be able to actively control strategic organisational decisions. In some cases this is commensurate with employee ownership – a cooperative for instance may exhibit high levels of employee control over decision-making at strategic levels. However, a 3% ESOP for instance would not be able to have significant input into organisational decision-making through the share ownership route alone.

Studies of the ESOP form in the USA have demonstrated that in this context there is little effective high-level work-related control in these firms (D'Art,1992) and little evidence for “strong and statistically significant effects of employee ownership on performance” (Blasi et al, 1996:63). This could be because the

most notable purpose for USA ESOPs is as retirement plans rather than as means to involve employees.<sup>3</sup>

Therefore, employee ownership does not automatically qualify an organisation as having high-level employee control. However, employees may possess high-level decision-making rights without ownership – for example through worker directors or collective bargaining processes, or via externally enforced strategic-level employee control, e.g. co-determination legislation.

### *Low-Degree Influence*

Low-degrees of employee influence occur where workers possess decision-making rights, but where these rights are operated at a low level, e.g. the right to take task-related decisions only without input into strategic organisational decision-making. Alternatively, low-level control occurs where input into strategic decision-making is merely consultative with no active control mechanisms.

Low level influence can also be expressed where organisational influence runs only in one direction. Where influence runs from the top down (e.g. through briefing meetings), then employees have no opportunity or right to have active input into managerial decisions. One-way communication from the bottom up, for example through suggestion schemes or attitude surveys, can also qualify as low-level if there is no compulsion for management to act on these employee suggestions or survey results.

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<sup>3</sup> Hanford and Grasso, 1991.

## 2.4 Socio-Political Context

These different models of employee ownership and control have tended to reflect the political and economic climate in which they are situated (Ramsay, 1977). The first significant appearance of employee ownership and control on the UK political agenda was the 1977 *Bullock Report*, shortly followed by the then Labour Government's 1978 White Paper on *Industrial Democracy*. Both papers emphasised high-level, indirect collective and representative forms of employee control; the *Bullock Report* suggested the introduction of worker directors and emphasised the "essential role of trade union organisations in the process of industrial democracy". However the CBI and TUC failed to agree over the contents of the report (Cressey et al, 1981:2) and a year later the *Industrial Democracy* White Paper, while stressing the role of employee involvement in "the development of corporate strategy" (67), glossed over the role of collective bargaining.

### *Deregulation and Privatisation*

With the arrival of a Conservative Government in 1979, policies took a different turn, from collective to individualised participation, with deregulation and privatisation under successive Conservative administrations (1979-1997) significantly altering the industrial relations climate in the UK. The political philosophy of 'market liberalisation' provided the agenda for deregulation of the labour market accompanied by the privatisation of many state-controlled

industries.<sup>4</sup> As a result of these policies, major changes were experienced in the forms and levels of employee ownership and control. Employee ownership and control became focused on individualised and direct ownership schemes with no guarantee of high-level control. This occurred particularly through individual shareholding, which was helped along by the momentum of privatisations during the 1980s and by governmental tax incentive support. A substantial component of the political agenda of 'market liberalism' therefore involved the encouragement of individual employee share ownership in order to facilitate the sell-off of publicly owned companies.

The Government's unenthusiastic attitude towards trade unions at this time meant that the traditional collective route to employee control was progressively weakened while management-led efforts were encouraged, especially those directed at task-level decision-making. Throughout the 1980s and early 1990s there was a growth in unitarist forms of work-related participation (WERS 1998), most often promoted under the banner of HRM (e.g. teamwork), and the emerging assumption was of organisational harmony.

However, while for many trade unions the government's neo-liberal market philosophy brought about significant reductions in their influence and

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<sup>4</sup> *Burdens on Business* (DTI 1985) argued that regulations had seriously curtailed business growth. In the same year a White Paper *Lifting the Burden* (1985) facilitated wide scale deregulation. *Building Businesses...Not Barriers* (White Paper, 1986) put forward further proposals for deregulation. Special Deregulation Units were also established to monitor those regulations still in place.



membership, some local union branches embraced privatisation as a means to securing employee control through employee ownership.<sup>5</sup>

### *European Union Policy*

On a wider scale than UK legislative attempts, the EU has established a long-standing interest in employee participation. In 1975, it published a Green Paper on *Employee Participation in Company Structure*, which emphasised that “decisions taken by or in the enterprise can have a substantial effect on [workers’] economic circumstances”. More recently, in 1994 it passed a Directive, resulting from the *Social Chapter* of the Maastricht Treaty, on ‘The Establishment of European Committees or Procedures in Community-scale Undertakings and Community-scale Groups of Undertakings for the Purposes of Informing and Consulting Employees’, i.e., European Works Councils. However in the UK, the growth in individualised ownership and control was used by successive Conservative administrations, opposed to the European Union’s *Social Chapter*, as a buffer against the external imposition of collective forms of employee control, such as the European Works Councils.

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<sup>5</sup> NUM at Tower Colliery and TGWU throughout the bus industry.

### **3. Harmonisation of Industrial Relations: Theory and Evidence**

While there may appear to be numerous different and often competing rationales cited in the literature for the introduction of employee participation, the common theme is one of greater organisational harmony. This may either be in the direction of greater worker association with the goals of management – the economic rationale – or with greater management association with the ideals of employees – the social rationale.

#### **3.1 Economic Rationale**

The economic rationale for the introduction of employee ownership and control is based on the assumption that workers will be willing to work harder and better than before as a result of the greater organisational commitment generated by alterations in organisational structure and operation. Financial ownership for instance promises to remove or obscure the boundaries between employer and employee by offering workers a stake in the firm (Creigh et al,1981). Employee share ownership, and a stake in company profitability (profit-related pay) are claimed to produce feelings of ownership (Pendleton et al, 1998) amongst workers<sup>6</sup> – and this is purported to lead to positive employee orientations towards work alongside high levels of commitment. In this way, shareholder status is believed to positively influence the attitudes and behaviours of individual employees towards the organisation (Bradley and Nejad,1989), while at the same

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<sup>6</sup> Achieving this without either 100% or collective employee ownership.

time loosening collectivist ties, thus generating a swing from a collective identification with worker organisations to a more individualised work identity orientated towards the enterprise. The claim by Fernie and Metcalf (1995) that union presence adversely affects productivity represents this view of individualised participative measures as a means to increase worker identification with the organisation and thus improve productivity. One such example of individualised participation is Japanese-style management, which is often presented as an alternative to adversarial collective bargaining. This form of employee involvement is purported to lead to increased levels of functional flexibility (Cressey and Williams,1990). However, many observers challenge this view.

Work-related control on the other hand is alleged to alter employee attitudes through increased involvement in organisational decision-making and, through this means, to align employee values with management goals. Decision-making participation may enhance employee-employer co-operation through team-working, communication (Levine,1995) and other “supportive human resource policies” (Blasi et al,1996:67). It is frequently assumed in the literature that the informational effects of participative forms of work organisation lead not only to more worker participation in organisational decision-making, but as a consequence to greater job satisfaction and employee motivation, which engenders a harmonious labour relations climate.<sup>7</sup> In further support of this argument, Cressey and Williams’ study (1990) of the effects of participation on the acceptance of organisational change found that while 25 per cent of employee

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<sup>7</sup> Oakshott,1978; Cressey and Williams,1990; Bradley and Gelb,1983; Thornley,1981.

representatives thought organisational relations had improved, only 4 per cent believed that industrial relations had worsened. When the opinion of management was calculated only 1 per cent thought relations had deteriorated compared to 27 per cent who were of the opinion that they had improved. However, the literature is not specific about thresholds for degrees of employee control or whether different levels and types of employee control influence this result.

Employee ownership and control is claimed to result in organisational benefits of greater worker flexibility (associated with organisational practices of removal of demarcation and of multiskilling) and improved quality and quantity of output. The incorporation of employees into organisational decision-making is also associated with benefits generated by opportunities to harness workers' knowledge – based on the assumption that through employee ownership and control workers will be willing to share this information openly with management. Workers are assumed to know the most efficient way of organising their work, resulting in maximum productivity (Cooke,1994) and thus management benefits from the addition of “valuable information about work tasks” (Bryson and Millward,1997:29) and the ability to access worker talents in decision-making (Jones,1987). The sum of these changes in employee orientation is perceived as an improvement in employee productivity and flexibility, and thus in company performance.<sup>8</sup>

While the literature provides ample evidence of the successful use of employee

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<sup>8</sup> Kersley and Metcalf,1997; Keller,1995; Fernie and Metcalf,1995; Mahoney and Watson,1993.

ownership and control in efforts to improve overall company performance,<sup>9</sup> it is the means by which participation influences company performance that provides the crucial explanatory factor. The association has been made, based on specific evidence, that participation alters employee attitudes to work and to management.<sup>10</sup> Thus, employee association with management values is brought about alongside employee self-motivation to work towards achieving these goals.

As the economic rationale assumes that participation will induce attitudinal and behavioural changes in employees, thus increasing their association with management values and goals, this literature is making an association between attitudinal changes in favour of management goals and increased worker motivation to achieve these goals. However, as the focus of these studies is changes to employee attitudes and behaviours, the attitudes and identities of management are unremarked and thus may well remain unaltered. Ramsay et al (1998) maintain in support of this thesis, that employee participation, and the consequential changes in employee behaviour, are based on the growing emphasis placed on customer service. This,

“requires employee internalisation of a management-designed culture of commitment if it is not to be based on exhausting and expensive supervision” (Ramsay et al, 1998:3).

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<sup>9</sup> Bryson and Millward,1997; Bonin, Jones and Putterman,1993; Cohen and Quarrey,1986; Cotton,1993; Defourney, Estrin and Jones,1985; Estrin, Jones and Svejnar,1987; Fernie and Metcalf,1995; Jones,1987; Levine and Tyson,1990.

<sup>10</sup> Cooke,1994; Estrin et al,1987; Guest et al,1993; Mowday et al,1982; Fernie and Metcalf,1995; Kruse and Blasi,1995; Long,1978; Oliver,1984.

Apart from the indirect effects of employee attitude change on organisational value added, there is also evidence that both financial and work-related participation, through improvements in employee satisfaction and organisational harmony, can reduce organisational costs directly by deterring or delaying quits from the company and by lowering absenteeism rates. Wilson and Peel (1990) for example found that share schemes were associated with reduced labour turnover. Such a decrease in labour turnover reduces recruitment and training costs for the organisation (Kessler and Purcell, 1992) and cost savings also result from reductions in absenteeism rates. Furthermore, a more harmonious labour relations climate is also claimed to reduce the costs to the company of industrial disagreements and to permit the swifter acceptance and implementation of organisational change (Schein, 1985).

Management can therefore be seen to have a compelling economic rationale for the introduction of forms of employee ownership and control into the workplace. It appears favourably to alter employee attitudes towards achieving management-set goals while at the same time leaving the management function and ideology unchallenged. However, the clarity of the claims for improved economic performance and a contented workforce is somewhat obscured by the lack of precision in this literature over which forms and measures of employee ownership and control are being implemented.<sup>11</sup>

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<sup>11</sup> Such as collective or individual, direct or indirect, and high or low-level.

## 3.2 Social Rationale

Not all employee ownership and control initiatives have economic goals as their sole or primary focus; it is clear that certain managers and employers introduce participation in order also to improve working conditions (Osterman,1994), while the rare few are willing to hand ownership and control of their firms to the workforce.<sup>12</sup>

It follows that the social needs of employees, as expressed in ownership rights, democratic processes and quality of working life debates, represent an end in itself. Employee ownership and control therefore promises to improve the quality of the work experience for all organisational members – management and workers - for example through improved job security and job satisfaction. In this respect, it is not only attitude change in employees that is anticipated, it is attitude and identity alterations at all organisational levels.

Unlike the economic rationale for introducing employee ownership and control, socially focused efforts centre on the democratic and equal opportunities (between workers, and between workers and management) basis for participation. In contrast to many of the economically inspired attempts at employee ownership and control, a large number of the socially motivated participation schemes have been generated by and have relied on union support (for example social partnership arrangements and also employee buy-outs). These forms of participation are often the result of bargained outcomes between the main interest

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<sup>12</sup> For example the Scott Bader Commonwealth and Tullis Russell paper mills.

groups and therefore predictably combine the social with the economic rationale. Employee-led buyouts in the UK in their most recent form have for the most part been established as ESOPs, the majority of which in recent decades have been the result of the privatisation of the bus industry (Pendleton, 1995). Union involvement in 'new' forms of participation, without ownership, tends to fall into the category of social partnership arrangements. However, for schemes with a social rationale to succeed, attitude changes are crucial among all levels of management, as well as among workers and their representatives.

### **3.3 Summary**

While the economic rationale for employee ownership and control concentrates exclusively on changing employee attitudes to management-set goals, the social rationale equates ownership and control rights with equal opportunities at work, since management and employees have the same status as owners and decision-makers. Therefore management attitude change is a crucial assumption under the social rationale for employee ownership and control. This management identity change is implicitly assumed to increase harmony within the organisation as workers and management will share a common organisational identity.



#### 4. Disharmony: Theories and Evidence

It is frequently assumed in the literature that employee ownership and control leads not only to greater job satisfaction and motivation, but as a consequence engenders a harmonious labour relations climate.<sup>13</sup> However, analytic evidence has suggested that these popular assumptions are over simplistic<sup>14</sup> and that conflict is apparent in employee owned and controlled organisations. Despite the theoretical and empirical claims for improved organisational harmony with employee ownership and control, a body of literature claims that participation actually increases the level of disharmony within organisations.<sup>15</sup>

While participation may be used to build on and improve existing employment relations to the benefit of both parties (e.g. social partnership programmes) there is some evidence that certain types of employee ownership and control schemes and the way they are implemented can produce or increase worker dissatisfaction. In fact, evidence suggests that there is no necessary causal connection between participation and changes to industrial relations climates. If this is in fact the case, then the causal assumption found in much of the literature - that participation induces a more harmonious labour relations climate - is called into serious doubt. This indicates that some form of labour regulation is likely to be practiced in employee owned and controlled organisations, even if its purpose is simply to maintain and promote this mythical harmony.

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<sup>13</sup> Oakshott, 1978 & 1990; Cressey & Williams, 1990; Bradley & Gelb, 1983; Thornley, 1981; PA Management Consultants, 1985.

<sup>14</sup> Bell, 1979; Paton, 1989; Cornforth, Thomas, Lewis & Spear, 1988.

<sup>15</sup> Gamson and Levin, 1984; Mellor et al, 1988; Tynan, 1980; Forsyth, 1990.

## 4.1 Conflict in Employee Owned and Controlled Organisations

The literature supplies an impressive body of work that has found no association, or even a negative association, between participation and company performance,<sup>16</sup> suggesting that changes to employee behaviours were not in the direction anticipated. Even some of the literature endorsing participation as a means to improved employee performance offers qualified support. For example, Estrin et al (1987) found that the productivity effects of participation varied between industrial sectors. While they found that participation had an overall positive economic effect, the effect was not significant for the footwear industry and only slight for the clothing sector. This variation in outcome also seems to depend somewhat on the type of participation investigated. Defourney et al (1985) found that the productivity enhancement results of co-operation were strongest in converted firms and less so in organisations founded as co-operatives. This may suggest that the relative increase in employee ownership and control is an important explanatory factor and therefore, length of time since the establishment of employee ownership and control should be considered when analysing evidence. However, Doucouliagos (1995), who also found different outcomes for different forms of participation, found that labour-managed firms demonstrated a (small) rise in productivity, whereas participation had no discernible effect on productivity in 'participatory capitalist firms'. This suggests that, in addition, the absolute degree of employee control and ownership explains some of the economic successes and failures of participation schemes.

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<sup>16</sup> Kelly and Kelly,1991; Kochan et al,1984; Juravich et al,1993; Jones,1987; Loveridge,1980; Bartlett,1994; Ben-Ner and Jones,1995; Lucas,1995.

Such unexpected outcomes of employee ownership and control have been investigated by Ben-Ner and Jones (1995) who suggest that employee control without financial rewards for workers could mean that employees do not take care when taking decisions, which could therefore adversely affect company performance. Jones (1987) and Defourney et al (1985) agree that worker involvement in decision-making could result in poorer decisions, but suggest this is because workers are assumed to be less skilled or competent in this task. However, this argument is flawed since the competencies of workers are not necessarily the issue, as it may simply be that the employee does not understand or agree with management's goals.

There is also the contention that where employees have decision-making rights their decisions will be income-maximising and not profit-oriented (Bartlett,1994), though Bonin et al (1993) consider this view over simplistic. Ben-Ner and Jones (1995), (supporting the social rationale) contend that where workers have control rights but no financial return rights, they will seek to improve working conditions. This, Ben-Ner and Jones assume, will adversely affect company efficiency. Furthermore, employee involvement in decision-making may increase the amount of time decision-making takes, thus disadvantaging firms in highly competitive markets (Loveridge, 1980). Jones (1987) takes a different tack and warns that with externally enforced strategic-level employee control, e.g. legislation for co-determination, managers may reduce their input and effort in decision-making, resulting in poorer company performance. However, Jones goes on to add that worker involvement in and acceptance of decisions can reduce implementation

problems, therefore lowering costs (through improved organisational harmony) and improving adaptability.

Claims have also been made for negative effects of individual financial participation schemes, such as all-employee share schemes. Managers may feel less incentive to supervise, if they feel that they are not receiving the full remunerative benefits of this activity;<sup>17</sup> unless employees co-operate, there may be individual tendency to shirk as all employees receive an equal proportion of gain irrespective of individual contribution.<sup>18</sup>

Hartley (1992:302) makes a case for the 'problems' associated with employee ownership and control from a traditional labour relations standpoint. She maintains that employees would be unwilling to "take orders", "make hard decisions" or "discipline colleagues", in employee owned and controlled enterprises, that factionalism would develop and that "workers will be incapable of managing themselves". However, he fails to consider that the employment relationship within employee owned and controlled organisations is not necessarily one of superior-subordinate and that such organisations may have a radically different distribution of power to conventional firms and therefore a different system of relations, controls and exchange.

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<sup>17</sup> Alchian and Demsetz 1972; Blasi et al 1996:63.

<sup>18</sup> The Chief Financial Officer for Microsoft has identified some negative effects of share ownership through the acknowledgement that a fall in share price would make it much harder to recruit the "bright young graduates", as share options form a significant proportion of Microsoft's benefits package (Hyman and Summers, 1998,).

As a consequence of their different organisational structures, Keenoy (1992:106) concludes that within collectively owned enterprises (cooperatives) “the management process is a veritable minefield ... with no clear-cut lines of authority”, therefore still persisting in using a traditional labour relations framework for the analysis. However, Keenoy does make an interesting point when he maintains that the ‘them-us’ attitudes often “carry over from previous work socialisation” (1992:107), Therefore adversarial relations, established suspicions and mistrust can remain intact, while the resolution of problems may be hindered by a lack of appropriate structures.

Within the specialist cooperatives literature, Paton (1978) outlines a number of issues associated with employment relations within collectively owned and controlled organisations. Allowing members to “raise any question in meetings” will mean that labour relations are “closer to the practice of collective bargaining” (28) in that they become confrontational. However, rather than the group solidarity traditionally expected, “employees’ concerns are promoted in a fragmented and negative way” with the result that “it may appear to employees that they are listened to, lectured and then ignored” (28). In addition, this system of decision-making does not permit employee competence and confidence to grow and, as a premium is put on oratory and social skills and access to information, “managers almost always ‘win the argument’” (1978:28). Paton also maintains that conflict may be amplified in cooperatives due to employee expectations of influence, the entitlement to question decisions which elsewhere would be accepted without comment, the multiple objectives of cooperatives and the close identification of members with the cooperative. These characteristics aggregate to

make grievances more personal. Thus cooperatives “take the lid off many areas of potential disagreement” (1978:48). However, Paton also offers no empirical support for these conclusions. In conclusion, Paton states that the productive expression of conflict is lacking within cooperatives, therefore implying that there is no system of labour relations which can resolve conflict within collectively owned organisations. While other authors also acknowledge that cooperatives are likely to possess a different employment relations structure to conventionally owned firms (Bell,1979; Cornforth et al,1988; Paton,1989; Oakshott,1990, Hartley,1992) they do not demonstrate what this alternative form of relations is or how it works. A gap in the literature can therefore be identified concerning the type and functioning of labour relations within collectively owned and controlled organisations.

Conflict between employees and between employee groups is also often overlooked in the literature (Ramsay et al,1998; McNabb and Whitfield,1998). Part of the reason for this is the unquestioned assumption that employees are by and large a homogenous group with similar interests, responses and behaviours. Scarce attention has been given to the problems encountered by teams or groups working together, particularly the problems participation schemes can introduce. For example, where a workgroup has been informally established, a participation scheme may alter the team makeup and its internal dynamics by dictating who belongs to the group and their role within it (Ramsay et al, 1998). Therefore ‘employee empowerment’ measures can actually reduce employee autonomy and efficiency and increase discontent, thereby decreasing workers’ propensity to cooperate with management and their projects.

This literature therefore argues for both greater debate and unresolved dissent in worker-owned companies, relative to conventionally owned firms, due to the increased freedom of expression and participation in decision-making. However, as Gamson and Levin (1984) point out, “such conflict is actually an integral part of the democratic decision-making process” (cited in Mellor et al,1988:115).

## **4.2 Investigation of Disharmony**

One explanation for these results, which run contrary to theoretical expectation, is that employee ownership and control schemes may be introduced as part of restructuring packages. When employees are faced with an insecure environment, participation may induce employee compliance and not the attitude changes necessary for employee commitment to the enterprise. If this is the case, behavioural changes may not be of the order anticipated. Furthermore, there are indications that when schemes are externally generated and required of organisations by legislation, results are unpredictable. Jones’ (1987) finding, that externally enforced co-determination had a negative effect on productivity, provides evidence that coerced participation may not be an effective lever for organisational attitude or value change.

A further explanatory aspect is the degree of influence afforded to employees under different participation schemes. The literature clearly indicates that the introduction of some forms of employee control can adversely affect company

performance, thus indicating that while the schemes may be successful in securing behavioural changes in employees, this is not in the direction predicted by theory - where the harmonisation of relations is expected to increase worker effort and commitment. Where employee performance worsens, harmonisation is therefore either absent or is not influencing employee behaviour in the manner expected. Part of the explanation for this is the level of control offered to employees: whether this involves consultation or decision-making rights, and at what level this operates, board or work station.

### *Low-Degree Influence*

Low degrees of employee control with little employee autonomy have been identified as reasons for such unexpected participation outcomes. This has been observed in some organisations, where after an initial 'honeymoon' period the workforce has expressed more dissatisfaction (and thus less harmony at work) than before the introduction of employee control measures, due to the raised and unmet expectations of employee influence (Kruse and Blasi,1995). The scope of employee control schemes may be so limited as to simply frustrate the workforce, thus failing to meet their expectations. Where control is only in one direction, i.e. from the top down, workers may feel that their views are not being considered or given any weight. Therefore, while increased communication within the organisation is evident, this may be accompanied by increased hostility towards management. A workforce may also feel resentful about the amount of time, effort and increased responsibility involved in a participation scheme,<sup>19</sup> especially if they see little return from management. Where one-way communication is from

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<sup>19</sup> Bryson and Millward,1997; McNabb and Whitfield,1998.



the bottom up, through suggestion schemes for example, workers may then feel that management is using their suggestions with no rewards seen by employees. Overall disillusionment within the workforce (and within management) could therefore rebound on management plans. In other circumstances, where schemes have been introduced without prior worker consideration, resentment may be the over-riding attitudinal change, not contentment.

Sisson and Frohlich's (1998) results support the thesis that low-degree influence is unlikely to effect behaviour changes. In this analysis of the Employee Participation in Organisational Change (EPOC) survey,<sup>20</sup> they found that where employees were expected to take on more autonomy and responsibility without any increases in employee influence, then participation had no significant organisational impact. They also found that the effects of participation on increases in output were strongest where employee participation involved a high degree of influence. Of particular interest is their conclusion that teamwork only has a significant effect when associated with high degrees of employee influence.

One possible explanation for these discrepancies can be gleaned from views from the shop floor, which suggest that low-level employee control schemes have had little effect on communications between employees and management. Paterson et al's 1996 study found that employees felt that within employee ownership and control schemes, while management placed emphasis on quality goods and services, little emphasis was placed on participation and communication with

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<sup>20</sup> European survey of employee participation co-ordinated by the European Foundation for the Improvement of Living and Working Conditions, Dublin.

employees. Ackroyd and Procter (1998) support this view of the UK situation with their contention that in fact very little has actually changed in employee relations. They find that employee relations have not moved towards 'softer' measures, such as communications and employee motivation, but have moved towards 'harder' measures (labour regulation). This hypothesis is supported by the WERS98 findings: employees were less likely to report improvements in communications with management than their managers were. This suggests that the role of the trade unions remains significant (Krieger and O'Kelly, 1998).

### *High-Degree Influence*

Where employee control occurs at strategic decision-making level, and is more than merely consultative, many of the problems associated with low-degree influence forms of participation are bypassed. However, other problems may appear in these circumstances, such as those outlined by Hartley (1992:302) who maintains that employees will be unwilling to take orders from managers because employee views hold as much weight in the decision-making process. Where there is a significant element of employee ownership a manager cannot, and has no authority to, demand that an employee-owner performs certain tasks.

### *Individualised Ownership and/or Control*

However, the contention that participation may amplify conflict also depends on the type of ownership and control process used, individual-unitarist or collective-pluralist. Where employee ownership and control is introduced to promote employee acceptance of management's values, and in doing so attempts to bypass both alternative value systems and traditional collective grievance expression

mechanisms, such as trade unions, the productive and organised expression of dissatisfaction and conflict can be weakened or removed. Individualisation of relations can, furthermore, result "in the feeling that communication would now be impossible" with the "loss of a common cause" (Thelen, 1970:5). Thelen's study of a Chicago community housing group found that as the collective fragmented and members became more individualistic they became "more and more determined by self-concern" (1970:7), ceased to work as a coherent group and had less commitment to the group. Since there were "no channels for constructive action to relieve frustration" (1970:7), the isolation of many members was expressed in the rise in gossip, rumours, dishonesty and corruption. Therefore, an employee ownership and/or control programme which aims to promote the individual nature of the employment relationship, perhaps with the intention to displace collective relations, may find itself faced with a dissatisfied and uncooperative workforce, resulting in a lack of organisational harmony and an environment of increased suspicion.

Alternatively, where an organisation has introduced employee ownership and control, even where no overt hostility was previously expressed, the very introduction of the scheme may encourage employees to question management decisions over their working lives which otherwise would have been accepted without overt conflict (Paton, 1978). The possibilities of raising grievances within meetings may also result in more personally directed disagreements as grievances can now be directed at an individual rather than at an impersonal organisation.

## *Collective Ownership and/or Control*

Even when considering the most formally collective (and high-level) form of employee ownership and control, the co-operative firm, unharmonious employee relations have been reported. While collective participation is expected to facilitate the open acceptance of both employee and management values, Paton (1978) reminds us that collective direct participation, in contrast to the collective representative participation practiced by trade unions, can also approximate adversarial relations in its outcomes. The freedom granted by collective ownership and control itself becomes the mechanism that facilitates and generates confrontational relations, resulting in factionalism rather than the expected unification of values and attitudes.

Other authors have associated conflict within collectively owned and controlled organisation with their ultimate demise.<sup>21</sup> This raises questions about causality, and whether forms of employee ownership and control may lead to the dissolution of the firm, or whether organisations that introduce employee ownership and control would have closed down without any alterations to ownership and control structures. Part of the grounds for this debate lie in the various reasons why employee ownership and control schemes are established. For some firms, employee ownership is the last option in the face of plant closure; in these situations the firm may be terminally unprofitable and employee ownership inconsequential for its ultimate closure.<sup>22</sup>

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<sup>21</sup> Emerson, 1982, Rhoades, 1984.

<sup>22</sup> Benn Cooperatives, (Eccles, 1981).

## *Employee Ownership and Control in SMEs*

Yet another mediating factor in the application and effects of employee ownership and control is the size of the organisation. Relatively little is known about participation in the SME sector beyond what has been published on co-operatives. Therefore, little is known about individually owned yet collectively controlled SMEs. Many of the more recent surveys and studies fail to differentiate between large and small organisations. However, Bryson and Millward (1997) discovered that participation is "less prevalent in small firms ... than in larger firms" (1997:8). A major survey which has looked into the state of participation in small and large firms, WERS98, indicates that while only 8 per cent of small firms had not introduced any new management or employee involvement measures, less than 30 per cent were using five or more of these schemes compared with well over half of the larger firms.

## *Informal Relations at Work*

The success of participation measures has also been related to workplace cultures (Gallie and White,1993; Geary,1993), which can either counteract participation measures (Chelte et al,1989) or support them. Ramsay et al (1998), for example, found that management style and personality were important determinants of participation success. This suggests that management attitudinal change is a crucial determinant of successful harmonisation of organisational relations through employee ownership and control. Commitment to and administration of participation schemes (Cooke,1992) are therefore significant elements and can differ between enterprises, between workplaces within an enterprise, between departments within a workplace and between work (or union) groups. While an

analysis of conflict (and procedures for conflict resolution) within cooperatives is provided by Cornforth et al (1988) and Mansbridge (1980), both studies limit their examination to formal procedures (such as grievance procedures, the operation of meetings and trade union involvement) and consequently overlook the informal procedures involved in employment relations. Even specialist cooperatives' handbooks gloss over the informal employee relations issue. While Berry & Roberts (1984) address "personal relations" and the need to resolve antagonisms between members, the only advice they offer on informal employee relations is that "it is best to avoid becoming sexually or emotionally involved with other co-op members if possible" (1984:24).

### *Employee Heterogeneity*

Finally, there is a notable misconception in a large part of this literature on employee participation - the assumption that 'employees' are a homogenous group. The common oversight is to presume that all employees will respond to participation initiatives in the same way, but as Tynan and Thomas state "class, power and skills ... to a great extent determine the response of workers to the workplace" (1981:10). Oliver (1990) has also pointed out that employees have different motivations (and vested interests differ between different employee groups); some may respond to the employee control aspects of participation, while others respond more to financial rewards. McNabb and Whitfield (1998) found that employee involvement schemes could have a negative effect on company economic performance "when introduced in isolation" (1998:171) from financial participation measures. They go on to add that the benefits claimed for financial participation alone are however often "reflecting the effects of other participation

factors” (1998:172). As a result of employee differences, various forms of participation are likely to affect individual employees differently. The combination effect of participation measures is replicated in a number of other studies.<sup>23</sup> Bryson and Millward’s (1997) study of employee involvement in small firms for example, found that a combination of profit-sharing and direct employee involvement produced the greatest improvements in company performance. Ben-Ner and Jones (1995), on the other hand, provide conflicting evidence of the productivity effects of combination schemes - indicating that other factors are also playing a significant role in determining the outcomes of employee participation, and that a precise and tailored programme for each situation is probably required. However, much of the research on employee ownership and control has focused on just one form of participation, namely either financial or work-related participation, and the results presented above must therefore question the findings of much of this literature. Furthermore, without acknowledging employee heterogeneity, the literature can only provide “sweeping generalisations, unalloyed conclusions, and vacuously stirring prescriptions” (Ramsay et al, 1998:2) about the effects of participation.

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<sup>23</sup> Levine and Tyson,1990; Kochan and Osterman,1994; Ichniowski et al,1994; FitzRoy and Kraft,1995.

## 5. Attitude Formations

### 5.1 Assumptions About Attitude Change

The body of contradictory evidence concerning the effects and outcomes of employee ownership and control is hardly surprising given the lack of attention paid to the assumptions made about causality. In much of the literature, a linear causal relationship is assumed, linking participation to attitude change, and attitude changes to alterations in behaviour.<sup>24</sup> These processes are all too frequently shrouded in questionable assumptions about the nature of the workplace, workforce, and the causal effects of ownership and control programmes. Of particular concern are assumptions made about changes in employee attitudes, especially that participation induces greater employee association with management values, and that this will also improve industrial relations within the workplace. This assumption has proved to be fragile.

There are a number of contested areas along this causal path, from participation to attitude change, and from attitude change to changes in employee behaviour. While Bryson and Millward have found that there is "little evidence" (1997:64) that participation can alter attitudes and behaviour, other studies provide more qualified results, indicating that attitude and behavioural changes are not uniform and differ between forms of participation used and between different employees. Batt and Appelbaum (1995) for instance, found that performance enhancement

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<sup>24</sup> This is most often focused on employee attitudinal and value alterations, with very little attention paid to alterations in management attitudes or identities.



was predominantly associated with self-managed teams, while Ben-Ner and Jones (1995) discovered that financial or control rewards affected different employees differently; some workers exhibited a more instrumental approach to participation and therefore responded better to financial rewards, others responded more positively when they were offered extra control over their jobs, or a say in company decisions. Keef (1998) found that share ownership “did not result in the expected improvement in attitudes” (1998:73), however it has been contended that the positive motivational effects attributed to share ownership will only be triggered by ‘significant’ shareholdings (Hyman,1998). Pendleton (1998) agrees that when the level of ownership is sufficient to produce ‘feelings of ownership’, higher levels of commitment and satisfaction are observable. It is perhaps not surprising therefore that research indicates that, contrary to management hopes, employees may regard their shares as a gratuity or bonus offered to them by their employers (Bell and Hanson,1987; Baddon et al,1989), and not as sufficient to create feelings of ownership.

Just as the literature casts doubt on the association between participation and attitude change, another associated misconception is that participation will in turn induce a more harmonious labour relations climate. Of all the assumptions made in the literature, the least questioned is this link between attitude change and behaviour change (Pendleton et al, 1998). Guest et al. (1993) have also criticised the frequent use of this dubious assumption in the literature. This unquestioned relationship may account for the contradictory results found for the effects of employee ownership and control on industrial relations climates within organisations. Pendleton et al. (1998) point out that positive attitudes towards

employee ownership do not necessarily equate with more positive attitudes to work (or therefore towards the goals of management). If the validity of this relationship is questioned, it then casts doubt on the link between participation, employee attitudes and organisational harmony. If participation may fail to produce attitudinal changes (of the direction and type anticipated) in employees it may also fail to induce behavioural changes associated with changes to industrial relations climates. Moreover, Adam's (1991) study is a further example of the ambiguities of the association between attitudes and behaviour. This research indicates that the introduction of participation in the form of quality circles had no significant impact on employee attitudes towards quality, but still managed to affect behavioural changes resulting in improved productivity. In line with Adam's findings, Fernie and Metcalf (1995) present another contention that questions the causal link between employee ownership and control and attitude changes. They conclude that harmonious industrial relations do not necessarily lead to improved company economic performance, and demonstrate that participation can improve performance without engendering a harmonious industrial relations climate (1995:405). This is also in line with Forsyth's contention that conflict is a necessary process in building group cohesion, which cannot occur "until intergroup hostility has surfaced, been confronted and resolved" (1990:385). Participation schemes that seek to dispel all conflict may therefore be both unrealistic and theoretically mistaken.

A further major and contentious assumption concerning attitude change is that disharmony at work only occurs between management and workers. However, a significant oversight concerns the degree and level of conflict between managers,

and between workers. For instance, the lack of success in producing attitudinal and behavioural changes in middle management is often overlooked, as is the resulting obstacle middle management can pose to the operation of participation programmes.<sup>25</sup>

The central conundrum not addressed by this literature is therefore why, when it is assumed that worker owners embody both capital and labour, thus removing the logic for industrial conflict, conflict nevertheless continues to operate in employee-owned organisations. In addition, in employee-controlled organisations, authority and power within the organisation is equally distributed between representatives of capital and labour (the labour-managed firm), yet research indicates that conflict continues to be part of organisational experience. Issues of the unequal distribution of power must therefore continue to exist, but in a fashion not formally associated with organisational structures. However, most of the literature which acknowledges or examines conflict in employee owned and controlled firms overlooks the informal procedures involved in employment relations.

## **5.2 Power and Control**

Marx distinguished between two forms of surplus value extraction in a capitalist society; absolute, where workers work longer hours to increase production; and

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<sup>25</sup> Fenton-O'Creevy and Nicholson, 1994; Cunningham, Hyman and Baldry, 1996; Hyman and Cunningham, 1998.

relative, which involves increasing labour productivity. Employee ownership and control seeks to act on the latter form of extraction (relative) by increasing labour productivity through inducing the harmonisation of attitudes and values at work. However in doing this, capitalism continues to create disharmony and conflict. For Marx this alienation arises out of the fundamental division of labour into owners and producers and can only be overcome by the termination of that division. Within this framework, worker control within conventionally organised enterprises can be seen as an inadequate answer to organisational conflict - it does not remove the underlying rationale for disharmony. Only complete worker ownership would ensure a different organisational climate. Organisations with employee control without commensurate ownership rights would therefore continue to exhibit organisational conflict. Weber, on the other hand, presented a different conception of social formations at work. His work distinguished between 'power', where one actor in a relationship is able to enforce his/her will over others in the relationship, and 'authority', where a command is obeyed because the subordinate accepts the legitimacy of his/her superior. Issues of ownership of the means of production are not seen therefore as fundamental elements in the generation and resolution of conflict. Weber identified three types of authority: traditional, based on custom; charismatic, based on an individual's qualities; and rational authority, based on the belief in the right of those in authority. Within a worker-controlled firm, the Weberian definition of power is not relevant, as all members have equal political and bureaucratic rights, however Weber's definition of authority is applicable and can be linked to a social network approach to conflict generation.

The social generation of disharmony within organisational relations is therefore an important consideration. According to Galbraith (1984), control in industrial settings stems from “the three instruments and institutions of power; physical strength or the ability to inflict punishment, money or pecuniary reward, and persuasion or education” (1984:178). However, in worker-owned and controlled firms the unequal distribution of power normally derived from the control of capital and the ability to inflict punishment are equally distributed. Therefore socially derived abilities such as persuasive powers and education become significant sources of power. In the absence of ownership-based power, the impact of social networks on conflict and decision-making in these firms should also be clearer and more significant than in conventionally organised enterprises. To access this issue of conflict in formally equal power distribution groups it is necessary to turn to an examination of the group dynamics literature. French’s work, published in 1941, into groups working on insoluble problems found that those groups whose members had not previously met subsequently split into subgroups and suffered the withdrawal of members, whereas in groups whose members knew each other “frustration did not produce as much separation between members” (in Forsyth,1990:385) and although hostility was high the groups did not subdivide. Therefore the imposition of external environmental stresses had less of a conflictual impact on those groups who demonstrated a greater level of social coherence.

Forsyth’s work on group dynamics (1990) outlines three reasons for intragroup conflict which closely approximate Galbraith’s three sources of power. First, the use of threatening influence strategies (i.e. the ability to punish); secondly, the

personal characteristics of the individuals involved (i.e. social/personal attributes); and finally, conflict over scarce resources (i.e. pecuniary reward). To take the first category, within employee owned and controlled organisations the ability to use formal influence strategies is removed by the existence of employees as owners and the dual role of each member as representative of both capital and labour. If the organisation is collectively owned then conflict over resources is also removed through equal distribution of ownership. The remaining sources of power are therefore derived, first, from the unequal distribution of ownership - which may occur in individualised employee ownership schemes - and, secondly, from the socially derived sources of influence of individuals or groups within the organisation. These socially derived sources of power may be a product of work histories (Keenoy 1992), where managers, for example, traditionally have greater influence than shop floor workers. Thus it can be hypothesised that the collective memory plays an important role in maintaining the status quo of organisational authority even once the structures which created it are removed. Alternatively, influence may be a product of associations outwith the organisation, such as membership of the local council, PTA, or union executive etc. Of whatever origin, these sources of influence are not directly associated with the formal structures of ownership and control of the organisation.

The significantly different power sources in employee-owned and controlled firms therefore have important implications for the routes to and powers of leadership, which in turn hold strong implications for the structures and procedures of decision-making. Even where conflict based on unequal ownership is removed, Galbraith's definition of power shows that there is scope for leaders to emerge in

even the most formally equitable worker owned and controlled firms, based primarily on status and attributes gained through membership of different social networks. This unequal distribution of power could in theory give rise to frustrations, disharmony and conflict within such organisations. As a premium is put on oratory, social skills and command of information, the impact of social advantage and disadvantage (and network advantage – centrality and links, and disadvantage – peripheral and isolated members) may be magnified in participatory firms.

However, there is little investigation or acknowledgment in the literature of any definite and recognisable leadership type in such organisations. While Mellor et al (1988) state that “cooperatives with no official figureheads can nevertheless find that leaders emerge to assume a disproportionate level of influence” (1988:118), they fail to question how and why such leaders gain and maintain their positions of power – and thus the dynamics of authority and leadership are left unresolved. However, with no “natural focus for authority” (1988:122), they assume that “unlike in a conventional business, there is unlikely to be one individual with ultimate authority to assume responsibility for difficult decisions and act as a focal point for workers’ discontent” (1988:115). Yet, using a social network approach to conflict within employee owned and controlled organisations, what is missing is therefore not simply *any* focus for conflict, but a conventional, formal and bureaucratic focus.

Empirical evidence indicates however that in the majority of documented cases there have been individuals who have become focal points for discontent.

However, unlike a conventional firm, where an individual's position is determined by their place in the formal hierarchy or bureaucratic organisation of the firm, in employee owned and controlled organisations positions of authority are to a much greater extent decided by more informal, social factors such as ability to communicate, ability to commit relatively more time to the enterprise, or by the desire for control. These attributes are largely determined by membership, or aspiration to membership, of social networks both within and outwith the organisation. Authority in worker owned and controlled firms therefore certainly does exist but is produced as much socially as bureaucratically.

Such a hypothesis is supported by the literature. For example, Tynan and Thomas (1981) claim that "the power of an individual within the organisation is linked to the wide social context in which he operates" (1981:8) and that aspects such as "class, power and skills ... to a great extent determine the response of workers to the workplace" (1981:10). This is illustrated in Tynan's study of a printing cooperative, Unit 58 (1980), where a machine operator, 'Janet Forester', claimed that her lack of education and working class background made her feel unable to participate in discussions about financial matters, such as the purchase of new machinery. In addition, the intellectualisation of the founders placed power in their hands in group meetings as their levels of education "reinforced the worker's feelings of inadequacy and did so publicly" (1980:21).

Class also played a significant role in the generation of conflict at Unit 58. The book-binder, Smith, for instance felt unable to participate in the planned job rotations as "driving the delivery van ... seemed to be beyond the call of duty for



him" (Tynan 1980:6). Tynan also found that in another co-operative, Sunderlandia, hostility and class attitudes "pervaded the firm" (1980:33) and "the meetings were an area in which class resources were exposed" (1980:20).

These early findings on exclusion are mirrored in Wichman's (1994) research on participation and employee status in the airline industry. She found that positive feelings about participation and ownership programmes varied by occupation, with lower level employees "either uninvolved or cynical about the programme" (1994:829). The study hypothesised that higher level employees have the "interest and skills necessary to expand their areas of control" (1994:830), and concluded that employee ownership may result in increased inequality in the workplace. Miller and Prichard's (1992) study supports this proposition, finding that employee propensity to participate was higher in younger, better educated and more ambitious employees. Drago and Wooden (1991) also found that desire and ability to participate is influenced by promotion opportunities, job tenure, job security, and labour market conditions. In a similar vein, research by Baddon et al (1989) found that, with all-employee share schemes, manual employees were most likely to sell their shares and to do so quickly (Baddon et al, 1989:206-215). The researchers point out that at the time of flotation, BT employees owned a mere 4.6 per cent of shares, but by 1989 employee shareholding at BT had diminished to one per cent of issued equity.

### **5.3 Social Context of Disharmony**

**“The internal processes of cooperatives cannot really be understood without reference to environmental factors” (Paton,1978:12)**

**As social realities and identities are constructed through the interpretation of information and events, and information is assembled and comprehended through the mechanisms of the social networks to which people belong, when considering the determinants of conflict and authority in worker-owned firms it is necessary to look to an examination of the external social environment. While there is evidence that social contacts outside of work can ameliorate organisational conflict, research indicates that external social forces are also significant sources of organisational conflict.**

**From a supportive external network aspect, Paton and Lockett (1978) established that out of work affiliations between workers in a co-operative meant that “even when their respective roles put them at loggerheads, they maintained cordial relationships, and their wives were close friends” (1978:158). At Fakenham (Wajcman, 1983), as at Little Women (Tynan, 1978), efforts were made to accommodate the influence of familial networks, for example children were allowed into and looked after in the Fakenham factory, shifts were arranged around childcare responsibilities and women could take their machines home if they needed to care for a sick child. At yet another cooperative, Fairblow, “‘activists’ from different areas of the company would go to football matches together” and workers in the maintenance department “helped each other with**

home improvements and the like, and arranged their own annual evening out with their wives” (Paton & Lockett,1978:158). Further afield it is possible to see regional networks at work in the building of Mondragon. The Mondragon phenomena only occurred in the Basque region of Spain, an area which in the 1970s at least was severely geographically isolated, while “only 31 miles from Bilbao this takes a good 1 1/2 hours by car on account of the mountains, and there is no rail link” (Campbell et al,1977:48). Studies of the Mondragon complex of employee-owned firms in Spain have suggested that their success is partly a result of their geographical and social isolation from the rest of Spain (Campbell et al, 1977) and partly a result of the persecution of the Basque people under the Franco regime, both forging a strong regional identity and cohesion.

While few studies have explored the generative effects of the wider social context on organisational conflict in employee owned and controlled organisations, one that has addressed this issue is Brown and Quarter’s (1994) study of the propensity to participate in a conversion co-operative. The research found that social context was an important component of individual participation choices: one that “influenced employees to become owners of their workplace” (1994:262). One of the prime determinants here was co-worker overlapping interests outside the workplace. Brown and Quarter found that at Conco “all of the managers reported overlapping outside interests with each other and attend community social functions together” (1994:272). The other, and in this case opposing, cohesive network was that of the unionised workers who also met outside work at union-organised social events, at sports meetings and at parents association meetings. When overlap occurred within the management group, it

increased their propensity to participate in the buyout. However, when overlapping outside interests coincided with shop-floor union membership,

despite a belief that participation in the worker co-operative could yield capital gains and job security, non-owner union members were unwilling to risk the negative effects of ownership on their social networks (1994:277)

In fact those who had joined had subsequently found it “a major source of friction” (1994:278) with their colleagues. The influence of social networks was also “quite pronounced” (1994:278) in the third workplace group, the office and warehouse workers, and their decisions to become cooperative members. One office worker, in accounting for her decision not to join the co-operative, explained “my husband is very much against it” (1994:278). However, while the study tested the theory that “social networks influence employees to become owners of their workplace” (1994:262), it did not investigate whether or how social networks affected conflict, communication and control mechanisms in a worker-owned firm once established.

Other studies have also highlighted the role of external social factors in organisational conflicts. At Unit 58 (Tynan 1980), the influence of familial networks on participation was keenly felt by the workplace group. For instance, one member, Mary Bewick, “resented helping out in the factory and her husband preferred her not to” (1980:6) which in turn caused resentment among the other workers. Another worker found that her friends working in conventionally

organised firms “ridiculed her for doing unpaid overtime” and “her husband could not understand her interest and enthusiasm for her work” (1980:14). Perhaps as a result of these pressures she remained “mostly silent” in meetings and eventually was one of the first to leave the co-operative.

Yet another co-operative case study, Little Women (Tynan, 1978), also demonstrated that the “costs of reconciling the demands of home and work proved too great for some women” (1978:5) since “friction arose from outside the group in the demands, prohibitions or complaints of husbands and the behaviour and health of the children” (Tynan,1978:24). Therefore, wider social affiliations can be demonstrated to be closely associated with the cause of various organisational hostilities and conflicts.<sup>26</sup>

At Fakenham Enterprises, while most of the women’s husbands supported them during the occupation of the factory, (moving the machinery into the annex which was to become their new production base and helping to erect barricades), “pressure from husbands seems to have been a factor amongst women who did not support the work-in” (Lockett,1978:20). Once production had restarted, families assisted in the design and selling of the leather goods the women made and by

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<sup>26</sup> However, these wider affiliations were not always a source of negative emotions. The founding force of the cooperative was a young mother, Margaret Elliot, whose husband, having worked for ‘Sunderlandia’, a local building cooperative, “brought ideas home from work that seemed to turn their home life into an endless debate” (Tynan,1978:2). Significantly “wives .. were included in the intense cycle of meetings and social events that Sunderlandia generated” (1978:2) and it was through this network that Margaret was “encouraged .. to think of setting up a venture herself with a group of friends” (1978:3). Friends and family continued their involvement in the cooperative beyond these initial meetings through their help in renovating and decorating the shop.

doing the housework and cooking at home. However, while this shared experience "had created a cohesive group of around a dozen women" (Lockett,1978:92) this solidarity was to cause problems and become a source of tension once newer members were recruited.

Lockett's research is in line with other case studies published, where the emergence of sub-groups within the workplace network is catalogued (Wajcman,1983; Lockett,1978; Cornforth,1981; Tynan 1978; Wood,1993). In each instance the schism has occurred between the founding and the newer members, resulting in a breakdown in group cohesion and in many cases the total dissolution of the workplace network and therefore of the enterprise. The breakdown of networks with the introduction and non-integration of new members is not only a workplace phenomenon. Thelen (1970) describes how a Chicago community network lost its cohesion through the introduction of newcomers which "resulted not only in the breakdown of communication on the block but also in the [loss] of a sense of common cause" (1970:5). As a result of this network breakdown, people began to withdraw from the network, neighbours became more individualistic and ceased to work as a coherent group, and eventually move out of the area. With the breakdown of the network, the isolation of many people was expressed in gossip and rumours, dishonesty and power corruption as there were "no channels for constructive action to relieve frustration" (1970:7). Individual behaviour became "more and more determined by self-concern" (1970:7), less influenced by the neighbourhood network and, significantly, more by other external networks of which the individual was a member. Therefore, external social networks appear to play a significant role in

the generation of conflict and disharmony in employee owned and controlled organisations.

It would appear, from what is contained in the literature which examines the influence of social networks on recruitment policies, that recruitment is largely confined to contacts with external social networks with which the workplace group overlaps: networks such as friends and family. Cornforth's (1981) case study of 'The Garment Cooperative' reports that "new workers were approached by workers who knew them" (1981:11). However, this research fails to question how these new workers were known to cooperative members or whether the vacancies were advertised and if so what criteria were used in the selection of the new workers. From the published study it would appear that the only criterion was membership of a social network which overlapped with the workplace network.

A more recent study by Wood (1993) of a cooperative bus company indicated that "recruitment is largely done through word of mouth" (Wood,1993:12). Furthermore, Tynan's (1978) study of the Little Women food shop reported that the company had "an informal ruling that each recruit be known to at least two of the group" (1978:9), for example a new Saturday girl was a regular baby-sitter for one of the existing members. Additionally, the women tried to recruit members (restricted to women only) with equivalent childcare responsibilities to the rest of the group. The negative side of closed network recruitment was demonstrated at Little Women where the closing of the recruitment procedure to anyone beyond

the overlapping external social networks meant that "jealousy and resentment existed if one relation or friend was to be preferred to another's" (Tynan,1978:25).

Despite the small number of studies outlined above, much of the literature on employee ownership and control fails systematically to consider and analyse the impact of social networks on the internal organisation and processes within such firms (Walford 1977, Mellor et al 1988). Brown and Hewstone (1986) consider the hypothesis that "whatever the starting-point of an analysis of industrial relations, progress is only likely to be made if the fundamentally *social character* of these relations is realised" (1986:137, emphasis added), but even this study remains strictly within the traditional confines of adversarial industrial relations between employer and employee.

Paton and Lockett recognise this gap in their own work and maintain that "in retrospect, it was a mistake not to have investigated this aspect of social contact more thoroughly" (1978:158). In addition, Paton maintains that "one would expect the internal workings of cooperatives to be affected by the social context within which they occur" (1978:5), while Goldthorpe (1983:69) stresses "the community and family situation of workers as the central source of work orientations" and Schumacher (1973:32) states that "next to the family it is work and the relationships established by work that are the true foundations of society". Ingham's study of industrial behaviour (1967) also attempts to locate industrial actions within a wider social framework, through the worker's previous experience and the community setting of the organisation. Much of the empirical research into collectively owned and controlled organisations was carried out in



the 1970s and early 1980s (Rhoades,1984; Paton,1978; Emerson,1982), and dealt with the factors leading to the failure of a number of 'new-start' cooperatives. As part of these studies the authors describe the internal working and social relations of the enterprises, but from a 'why they failed' perspective and not with relation to labour relations theory. Emerson (1982:43) states that the social difficulties experienced at 'Neighbourhood Textiles' were because the enterprise "was not enough of a co-operative", implying that if it had been 'more of' a cooperative (which the study leaves undefined) the confusion and conflict over decision-making would not have occurred, due to the creation of "sufficient trust and respect" (1982:44). This again is making the implicit assumption of a causal link between employee ownership and control and attitude changes. Rhoades (1984), detailing the demise of the Milkwood cooperative, presents 'social relations' as one of the factors leading to its failure (the other being finance), but does not, within this framework, address or attempt to analyse the dynamics or practice of employment relations. While these studies provide an interesting insight into the machinations of social relations within cooperatives, as a group they fail to analyse or offer explanations for the actions of the social actors. If the role of employment relations is touched upon it is only within the framework of failed cooperatives and as such sheds no light on what forms of employment relations facilitate employee owned and controlled organisations' survival and growth.

The traditional literatures therefore tend to assume that organisational labour relations end at the factory gate. Furthermore, the labour relations literature somewhat fails to examine the resolution and maintenance of employment relations by social networks separate from the firm, i.e. the pub, club and living

room. However, based on the evidence presented above, it is possible to hypothesise that labour relations extend beyond the organisation into wider social relations. If this is the case then there may be an argument for the investigation of social relations outside the workplace, and the group dynamics and social networks unassociated with the employee's role and position within the organisation, but which impact on relations inside the workplace. Consequently, relations within employee owned and controlled organisations can be perceived of as an issue involving a much broader scope of social relations than just work relations themselves.

#### **5.4 Economic Context of Disharmony**

However, the success or failure of employee owned and controlled firms cannot be adequately explained simply in terms of their social context. The economic context in which they are situated – their industry, region and historico-economic location also play important roles in the generation of organisational climate and conflict.

##### *Degeneration Theory*

Degeneration theory (Beatrice and Sydney Webb, 1914) postulates that democratic, participative firms will invariably fail to survive in this form and will degenerate into either conventionally organised or conventionally controlled enterprises through exposure to capitalist, market forces. Where worker ownership survives, the Webbs suggested that the worker-owners would

experience a change in class identification and become “associations of capitalists” (Webb and Webb, 1914, quoted in Mellor et al 1988). Jensen and Meckling (1979) have further argued that the dominance of conventionally owned and controlled firms in market economies, in which employee owned and controlled organisations have an equal opportunity to compete, is evidence of the superiority of the former. The poor performance of some employee owned and controlled organisations can be attributed to employee ownership schemes which have been designed principally as job saving efforts (Pendleton et al, 1995). Here, economic necessities often overtake the social, either resulting in firm closure (such as the Benn Co-ops, and Fakenham Enterprises) or sale to a new owner. This demonstrates a long-standing problem facing some employee ownership and control schemes, that they are susceptible to ‘degeneration’ into conventionally organised firms. This body of research suggests therefore that any attitude changes associated with employee ownership and control may not be permanent and can be reversed through external pressures and forces. However, in opposition to the degeneration theory, but in support of the pervasive influence of the external economic environment, Vanek (1971) argued that the poor performance of worker-owned firms in the market economies was due to a lack of access to external capital sources.

Empirical evidence provides some support for the negative influence of external economic factors on employee owned and controlled organisations. Tynan’s study (1980) of ‘Unit 58’ concluded that the establishment of the cooperative during a “general recession ... put the company under such continual pressure that they ‘were never in a position to allow group decisions to hold and to learn from

their mistakes” (1980:V). In this situation, the poor level and sporadic nature of wages, coupled with despondency over the company’s financial position, led to the withdrawal of a number of the members. In addition, the pressures placed upon those in positions of responsibility to respond rapidly to external economic fluctuations, made the day-to-day decision-making appear “to the work force to be in direct contradiction to group decisions” (1980:4) and produced “considerable friction and distrust” (1980:5). The over-ruling of group decisions caused by pressures of the economic environment was illustrated just two months after the establishment of the cooperative, when the enterprise was obliged to respond to nationally negotiated wages rises of £23 for the unskilled workers, which overrode the enterprise’s originally planned pay differential of 2.5:1.

Lockett’s (1978) study of the Fakenham Enterprises cooperative in Norfolk also detailed the pervasive influence that the external economic environment had on the internal organisation and atmosphere in the factory. The initial external influence came with the liquidation of Sextons shoe company, of which Fakenham was a satellite workshop, in 1972. This, coupled with the dearth of jobs for women in the region and the media’s coverage of the Upper Clyde Shipyard sit-in, prompted the women to stage their own sit-in to preserve their jobs. After the external environment had pushed the women into this action, Wajcman’s (1983) study of the Fakenham Enterprises cooperative details the harsh external economic environment that the nascent company had to contend with: “Fakenham Enterprises had problems in finding adequate finance, a marketable product and competent management” (1983:56). The funds considered necessary to establish the new enterprise were estimated at £20,000, but in fact Fakenham

Enterprises received just £2,500 from Scott Bader and approximately £1,000 from other sources. Additionally, the industrial sector in which they were situated, footwear, had since the 1940s been in severe decline. Due to the externally imposed, scattered and irregular nature of the work "tension was high in the factory" (1983:112) and this lack of work resulted in a "growing discontent" (1983:117) among the women. As a result of this lack of regular, paid work a number of members left the cooperative. These persistent economic pressures produced an initial subdivision of the Fakenham women into three distinct cliques, based on the areas into which the women were physically divided for their work and between which there were strong negative relationships. The tensions meant that the atmosphere among the women changed from one of solidarity to one of gossip, suspicion and discontent. The growing hostility was eventually eased by the acceptance of a contract (which itself was particularly exploitative) offered by 'Mr. K'. However the 'K' contract in itself produced a two-way split among the members. In short, the new contract meant that those women with school age children were unable to complete a full shift on the machines, and this became a source of conflict within the group. Significantly, the fracture line also followed the division between the founders and the newer members, with the founding members dismissing the constraints which were placed upon the other members by their young children as consequences of their 'attitude' to work. The potential for a split was therefore already in place, however the environmental stresses served to highlight this division.

A harsh external environment is however not a necessary precursor for failure. For example, the building cooperative, Sunderlandia (Tynan,1980), failed even

with a benign external economic environment. Alternatively, severe economic conditions can work to increase organisational harmony, as was demonstrated at the Buzz Cooperative (Wood 1993), where external economic pressures actually caused members to act as a cohesive network. The research quotes a driver as saying,

when there is a crisis, everyone pulls together. But when things are okay, the underlying tensions surface as niggles in staff meetings ... and one gets the sense of 'us and them'. (Wood,1993:22-3).

Overall, these studies demonstrate that employee ownership and control cannot entirely be isolated from the effects of the external environment. Ramsay (1977) took this proposition one step further and suggested that the external environment accounted for apparent waves of employee participation, which he termed 'cycles of control'. His work hypothesises that employee participation is a management response to increased worker power and subsequent employee resistance to management control. Without a strong environment of worker power, an insecure external environment would therefore be more likely to induce employee compliance with participation programmes, and not the attitude changes necessary for employee reorientation to the values of management. However, this analysis of the literature suggests that, taken alone, the external economic environment is an insufficient explanation of the success or failure of employee ownership and control.

## 6. Conclusions

While the literature suggests that harmonisation is the theoretically expected and anticipated outcome of employee ownership and control, and is associated with attitude changes in employee relations and thus with altered employee behaviours, this is based on a number of contentious assumptions. The principal assumption under scrutiny has been the causal link associating employee ownership and control with employee attitude changes in favour of management goals and ideology. The literature clearly indicates that while employee participation schemes may be successful in securing behavioural changes in employees, this is not necessarily in the direction predicted by theory. Where conflict continues or arises as a result of employee ownership and control, harmonisation is therefore either absent or harmonious attitudes are not influencing employee behaviour in the manner expected. Therefore, other forces and factors are necessarily at work within the employment relationship.

While the type of conflict expression (overt, covert, direct or indirect) may differ, the literature suggests that forms of conflict are apparent in all forms of employee ownership and control. As such, theoretical assumptions concerning the harmonisation of values and relations through employee ownership and control are somewhat flawed and require further investigation. Unpacking this, the literature suggests that harmonisation is more prevalent and probable where high-level employee ownership and control is found than in those organisations with low-level ownership and control. In these low-level participation situations, conflict may be the overriding outcome. While conflict associated with high-level

ownership and control is reported, this has been associated with alternative forms of power and tension to those found in conventionally owned and controlled organisations. Harmony and disharmony also appear to have some association not only with the type of ownership and control found in organisation, but also with the size and make up of the organisational workforce and with organisational informal relations. They also depend on the socio-historical and political context as much as new organisational forms and structures.

Identity alterations in employees in particular, but also in management, are therefore drawn into question by this analysis of the literature. While many approaches to, and studies of, employee ownership and control assume employee identity alteration, evidence suggests that identities may not be so malleable or easily altered. In addition, research suggests that identities, once changed, are susceptible to reversal to their original, established positions. This analysis of the literature also suggests that identity alteration is as much a product of external influences as influences internal to the organisation and its ownership and control structures. Therefore it is necessary to investigate the causal relationships between employee ownership and control and employee/management attitudes. To achieve this, processual research is required in order to access the dynamics of this relationship.

The case studies chosen and used in this thesis have been designed to address these gaps identified in the literatures. To access the various and diverse aspects documented in the literature review, two significantly different case studies were required. In the first instance, disharmony between workers and management was



an obvious consideration and therefore a case study was chosen that would exhibit overt class divisions, enabling the identification of divisions between workers and their management. To this end, an organisation which exhibited formalised and structured conflict was required. However, a significant omission in the literature is the consideration of conflicts between workers themselves, and the social forces involved in the production of these tensions. Therefore the second case study was carefully selected to be one without overt class or worker/management divisions, and consequently one where other social forces involved in the generation of harmony and conflict should also be apparent. Therefore, the second case study was necessarily an organisation that exhibited neither formalised nor structured conflicts. In order to address the further issues identified in the literature concerning the differing expressions and experiences of conflict and harmonisation in employee-owned and controlled organisations of differing size and workforce composition, the case studies were chosen to represent both the micro-enterprise (of under 10 employees) with close informal working relations, and the large firm sector (with over 2,000 employees) thus necessarily involving the formalisation of relations between different groups of employee-owners.

Consequently, the forms of conflict and tension demonstrated by the case studies were expected to encompass the various types of conflict expression reported in the literature – overt, covert, direct, indirect, informal and formalised.

The suggestion that identities under employee ownership and control conditions are susceptible to reversal to established positions necessitated the selection of study sites that were converted from conventionally owned and controlled

organisations, and not those that had been started as employee owned and controlled enterprises. Moreover, these organisations could not be recent conversions, the introduction of employee ownership and control had to be established in order to permit the examination of reversal tendencies. To enable comparison between the case study sites, both organisations were selected on the grounds that they used individualised financial ownership – using the statutory ESOP as their model – and also exhibited high-level employee influence. Within this framework, organisations with both collective and individualised, and with direct and indirect employee-control mechanisms have been examined. The use of these criteria in the selection of case study sites has enabled the investigation of both the structural and the social character of organisational relations.

# Chapter Two

## Conceptual Framework

### 1. Introduction

The conceptual framework addresses and confronts the issue that the existence of worker-owned and controlled companies in an industrial society is an unexpected, paradoxical and rare alliance between capital and labour in a capitalist society.

Chapter One described how in employee owned and controlled firms the traditional authority of ownership is transferred to the employees. It addressed the problem that much of the literature assumes that a transfer of ownership and control will result in improved cooperation between the workers and management and ultimately produce harmony and consensus. The conceptual framework unpacks the issues contained within this association between employee ownership and organisational climate by taking labour process theory and theories of 'meaning' (i.e. the relations of production and the production of meanings), and applying these to the situation of employee owned and controlled companies. This is achieved using three central concepts: influence structures, collective identities, and identity conversion.

This second chapter highlights how the use of the concept of collective identities allows the dualism between social structure and the individual to be addressed.

The social structure, or social network, is seen as a product of collective aspirations structured through the consensus of its members. In this respect social structures exist through (and because of) the social interactions of their members, and are therefore formed by network processes. It is through these network processes that collective identities and meanings are made tangible. The network is therefore a source of identity expression. This network perspective permits a consideration of institutionalised conflicts and of the role of individuals within these processes. It also permits the contextualisation of conflicts, and allows for an investigation of the different functions that conflict has in different situations, and why diverse actions can be categorised and recognised as conflict.

The conceptualisation of conflict as an identity-network process indicates that the network processes involved are the essence of conflict. Therefore, a conceptualisation of the operations of conflict from a collective, or network, perspective is vital. Consequently, the conceptual framework avoids an overemphasis on the subjective action of individuals as the centre of analysis and, as such, rejects a post-modern, feminist and cultural studies approach that individualises acts of conflict and which focuses on individual tactics of resistance. As such, the post-modern approach under-theorises the structural genesis and perpetuation of conflict.

A network perspective of conflict also emphasises the importance of the contextualisation of conflict processes. Conflict processes are located within the network situation and consequently the conceptual framework avoids theories of abstract structures of control because of their lack of contextualisation. However,

this is not to suggest that conflict does not exist when it is not in obvious operation. Quite the contrary, since conflict is a network property the operation of conflict processes are constant while often being covert or unobservable. Therefore conflict processes cannot be accessed through the observation of tangible conflict symbols alone - the underlying network situation is a crucial consideration. Through uncovering and understanding the relationships that underlie the generation and regeneration of conflicts, the social relationships that underscore conflict processes are revealed.

The suggestion of the harmonisation literatures is that identities are malleable, changeable, and can be negotiated. The contemporary movement towards employee ownership and participation in firms is firmly rooted in the development of human resource management and associated soft systems theories of individualistic employee motivation. Here, social relations are seen as the prime motivation in identity change, not money. In this field, industrial democracy is cited as a means to self-actualisation (Maslow, 1970). These theories rely on the individualistic nature of employee identities and attitudes (Bennis and Schein, 1966), and therefore organisations tend to concentrate on schemes which purport to allow individuals to “realise themselves through achieving organisational goals” (Grint, 1991:129). However, these approaches write off as irrelevant the fact that they leave the labour process unaltered and fail to address whether or how identities can be altered, from that of paid labour to that of capital/owners of the means of production, simply by introducing employee ownership. A network perspective on identity would suggest that membership of overlapping networks is an influencing factor. Given overlapping network memberships, both within and

outwith the work situation, identities cannot be formed in a vacuum at work, but will derive from other allegiances or network memberships (Clegg, 1990). As conflict is network situated, its genesis and resolution will also be influenced by the web of social networks within which the relations of production are situated. Conflict is therefore seen simultaneously as network situated and as able to influence the network situation.

## **2. Network Forms**

The type of interaction that takes place within a social network, and the basis on which the network relationships are structured, is termed the network form. For the purposes of this study, network form has been defined in terms of distinct systems of interaction, but not necessarily geographically or socially discrete structures. Therefore, one social structure (such as an industrial organisation) can contain a number of different systems of interaction, and these different systems of interaction (or network forms) can have the same target populations. Each network form will have distinct and established routines of interaction while remaining embedded within the wider social structure.

Networks are formed in two ways, they may either be formal networks, based on formalised relations, or they may be informal networks, created by informal relationships between the members.

### **2.1 Formal Networks**

A formal network is one based on contractual relations of communication and authority, where the lines of communication and of influence are contractually established, e.g. communication with a line manager or with a shop steward. While the ties that bind in a formal network are contract, bureaucracy and established hierarchy, in informal networks it is friendship and reciprocity. This distinction between formal and informal networks is not new, but it is often

assumed and rarely defined or theorised in detail.

Based on this criterion, a formal network is a fairly rigid structure with little inbuilt flexibility of form and with an inclination towards continuity, but it will also have recognised rights and duties specified in its 'constitution', e.g. the employment contract. For the individual it involves accepting a role within a recognised and reasonably stable system, often a hierarchy, with recognised rights, responsibilities and duties attached to the post (Bryman, 1992). These include, for example, the right to issue commands, or the responsibility of representation.

Succession within a formal network (such as a management or trade union hierarchy) is a relatively stable process, providing little threat to the stability or form of the network. The structural position within the network, at whatever level, senior management, middle management, or shop steward, remains even once the individual has left the role or the network (e.g. through promotion or retirement). Therefore to fit a new member into an existing formal network form is largely straightforward and involves no necessary changes to the network structure.

## **2.2 Formal Influence**

Formal influence is the more overt of the two network pattern types because it is immediately observable. It can be displayed by the size and luxury of an office, a



top of the range company car, a private parking space, a job title, a name plate on the door, a personal phone line, or any number of other special benefits (such as preferential share options). Formal influence can also be reinforced through the use of interaction rituals which sustain relative influence differences, such as seating a subordinate at a smaller desk, or using a secretary (or other intermediary) to communicate with employees, customers and suppliers.

In work organisations, formal influence is derived from employment contracts, where the position an individual occupies in a formal network is determined solely by contract. Contractual positions carry with them a certain amount of influence which is independent of the position holder and will be passed on to the next individual who occupies that position. Therefore, formal influence, while external to and independent of the individual, is a property of the formal network structure, residing in the network position. Network influence is given to the member when he/she assumes the role within the network. It is also given as an incentive to perform, based on expected performance, but is not received until network position is changed, e.g. promotion, a pay rise, a bigger room or company car, a club tie or badge. The influence associated with the network position depends on how important to the structure that *position* is. In this manner the influence in a formal network is independent of the network members, resulting from a network of offices and not of officers.

Formal influence can also be seen as a network resource. In industrial organisations, the trade union's network resource is the power of the work force to disrupt or halt production, thus jeopardising management's goal of ensured

profitability. This network resource is channelled formally through the union hierarchy. Management's network resource is the power to suspend, move or sack workers, and to alter terms and conditions of employment. This is also organised formally through the management bureaucracy, based on their knowledge of company finances, external markets and competition. Both groups can augment their network resource by denying the other group full access to this information/influence.

### **2.3 Informal Networks**

Bryman (1992) defines an 'informal organisation' as "a cluster of unofficial practices and structures" (1992:8). Consequently, unlike formal networks, an informal network is based on non-contractual, social relations (such as friendship), based on personal characteristics and personal relationships and not on formal network position. In the informal network the individual *is* the post, whereas in a formal network the post is external to the individual. Such disassociation from contractual relations means that informal systems can be more flexible in form than formal systems. With an informal structure, once the individual moves within or leaves the network, their original network position is ceded and disappears. Even where there is another new or existing member who possesses enough influence to move into that structural position, they still have to recreate that position for themselves and therefore, as their identity, history and experience differ from the previous position holder, so will the network role. While these informal relations may take longer to cement than formal links, which are

instantaneous on acceptance of the position within a formal network, informal relationships can easily be broken. While a formal relationship can only be terminated if a network member resigns their post, is fired, promoted, or made redundant, the non-contractual nature of informal networks means that there are no holds on members. However, like formal networks, the informal network does have its rights and duties, although unlike the formal network these are implicit and non-contractual.

However, the literature covering informal work-place networks is remarkably limited. This is in part due to the focus of the management literature on the formal power of the manager, which is guaranteed by their position within the formal influence structure. Therefore informal networks and their influence are often seen as of secondary importance. Methodologically, informal structures are also difficult to establish scientifically and problematic to predict and therefore do not easily fall into a deterministic academic discipline. Consequently informal company networks often remain hidden from analysis in the management studies literatures.

## **2.4 Informal Influence**

However, while management will command formal influence within an organisation, they may or may not possess informal influence. Authority in informal networks is constructed from informal influence which is independent of any network position the member may occupy in a parallel formal hierarchy.

Therefore as a result of their official, formal posts, informal network members do not accrue any informal influence and therefore formal influence does not predict informal influence. Informal influence may also allow the individual to adopt a role or position with more influence than their position in the formal networks to which they belong permits. Unlike formal influence, informal influence is particular to the individual and belongs only to that member and not to the network position occupied. As there are no established network structures independent of the individual the influence associated with informal network positions depends on how important that *member* is to the network. Unlike formal influence, informal influence is less tangible, it does not offer observable symbols of prestige and it is not guaranteed. Rather, it relies on the flow of reciprocal influence such as friendship, trust, respect, praise, approval and also criticism. Consequently, informal influence is inherently unstable since there is no contractual basis for influence. Influence depends on the individual member, their personal relations and interpersonal dynamics, therefore an informal leader cannot 'pull rank' or demand obedience from the network members. Consequently, informal leaders have to use other means to influence membership behaviour, based on interpersonal relations such as praise or criticism. Therefore an informal leader is necessarily continually engaged with the network membership to ensure that the membership trusts and esteems them sufficiently to maintain their informal influence.

In informal networks, network members' influence is delivered via the network interactions in the form of 'expectations', using social pressures to enforce behavioural and value expectations on the leadership. The social pressures used

include a monitoring of leadership behaviour and achievements and evaluative feedback from the followership - in the form of praise or criticism encouraging “positively evaluated role performance or change negatively evaluated role performance” (Hammer et al, 1991:666). Therefore the network members have a high degree of autonomy and influence in informal networks, since the possession of influence is based on monitoring by the membership. Because there is no formal leadership position, the leadership can be assimilated back into the followership at any point if influence is reduced, and a new leadership can be promoted from the body of network members.

## **2.5 Reciprocity, Followership and Network Form**

There exists therefore a subtle but important difference between exchange relations in formal networks - which are driven by relative influence positions in the formal network structure - and reciprocity in informal networks, based on informal and voluntary interactions. These different types of interaction drive the different bases for influence within the two network forms. In a formal network, the source of the leadership’s influence comes from the formal hierarchy and the influence invested in each network position. In informal networks, relationship between the members and therefore between the leadership and followership are based on non-contractual mutualities, such as friendship, trust, and shared values. As such, different network types - formal and informal - produce different types of leadership since these network patterns require different functions to be performed. While a formal network can possess either an appointed or an elected

leadership, the functions the leadership will be called on to perform, and the authority it will have at hand to perform these tasks will differ from the leadership of an informal network. This may simply be that a formal leadership will have its functions laid down by contract or constitution and will have to act within these formal bounds. An informal leadership will also have to fulfil expectations, but these can be more fluid and flexible due to the nature of the informal network relations which are themselves less rigid.

## **2.6 Network Form and Conflict**

While formal and informal networks can and do co-exist, the leaders of the two can conceivably be from different parts of an organisation as their leadership positions will be based on different concepts of influence. As an organisation could be comprised of both informal and formal networks using the same personnel, this co-existence of networks (and the differential positions and influence associated within the same personnel) could produce structural tensions which become the seat of conflicts. As Weber predicted (quoted in Bryman, 1992:29), “bureaucrats may fret about the possible loss of financial and managerial control if sponsorship were to accrue increasingly to charismatic leaders outside the formal party apparatus”. It would also seem reasonable that tensions will also be produced within networks where an individual’s formal influence does not equally correspond with their informal influence, position and role, and vice versa.

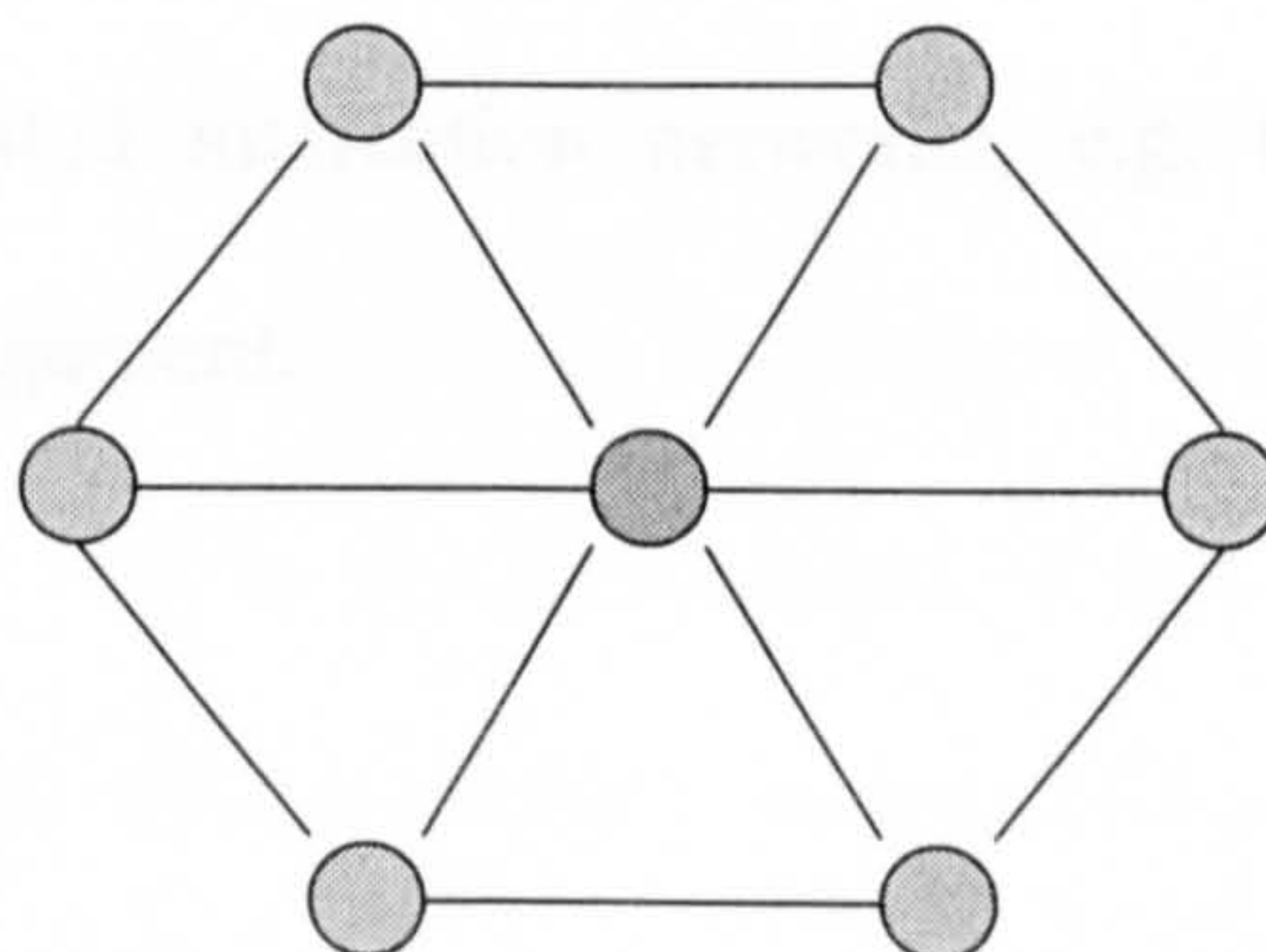
### 3. Network Patterns

However, while network forms are different and distinct, there are also similarities between the two forms of network. Both can be either concentrated or dispersed interaction network patterns.

#### 3.1 Concentrated Interaction Networks

A concentrated interaction network focuses network interactions and communications on a central figure or group within the network. In this respect, this network pattern enjoys a concentrated flow of interactions, with the central network location experiencing the most connections (Figure 2.1), while peripheral locations have a narrower band of relationships. In some extremely concentrated interaction networks, peripheral locations may interact only with the centre and not with other peripheral members.

Figure 2.1 Concentrated Interaction Network



The concentrated interaction network pattern therefore results in highly

centralised influence at one network location. Communication is focused at a central network point and it is largely through this central location that the network members communicate with each other. Therefore, in a concentrated interaction network each follower will only have access to partial network communications and information while the leadership has full access to all. As the followership are denied access to full communications (i.e. they are denied access to resources in the form of information) therefore the followership possess relatively little autonomy. Consequently, while their support is still necessary for the leadership, followership influence is consistently at a low level. As such, in a concentrated interaction network the followership has a largely passive role in group leadership.

The pattern of the network therefore influences the form of the relationship between the followership and leadership. In concentrated interaction networks, leadership is situated at the centre of the network and limited towards the edges (which is the rationale of many formal structures). This does not mean that all formal relationships are unequal, some formal networks are also reciprocal, e.g. MPs and their constituents, shop stewards and the shop floor, and are thus inclined towards the dispersed interaction network pattern. However, many formal networks are concentrated interaction networks, e.g. the relationship between senior and middle management.



### 3.2 Concentrated Influence

While a concentrated interaction network results in a high degree of centralised influence, it also corresponds to a low degree of followership autonomy. The leadership of a highly centralised network receives “communication ... [which] converges on him and is filtered through him” while the other group members are “so much less informed of the pertinent facts” (Gordon, 1955:60). Those members located at the centre of a network will therefore have access to a wider range of communications and a greater understanding of the network than those members situated on the periphery of the group. The ability of the followership to act independently of the centralised leadership is thus diminished since each follower is in incomplete and mediated communication with other network members. Therefore, the collective influence of the followership is reduced as a direct result of the accumulation of influence at the centre.

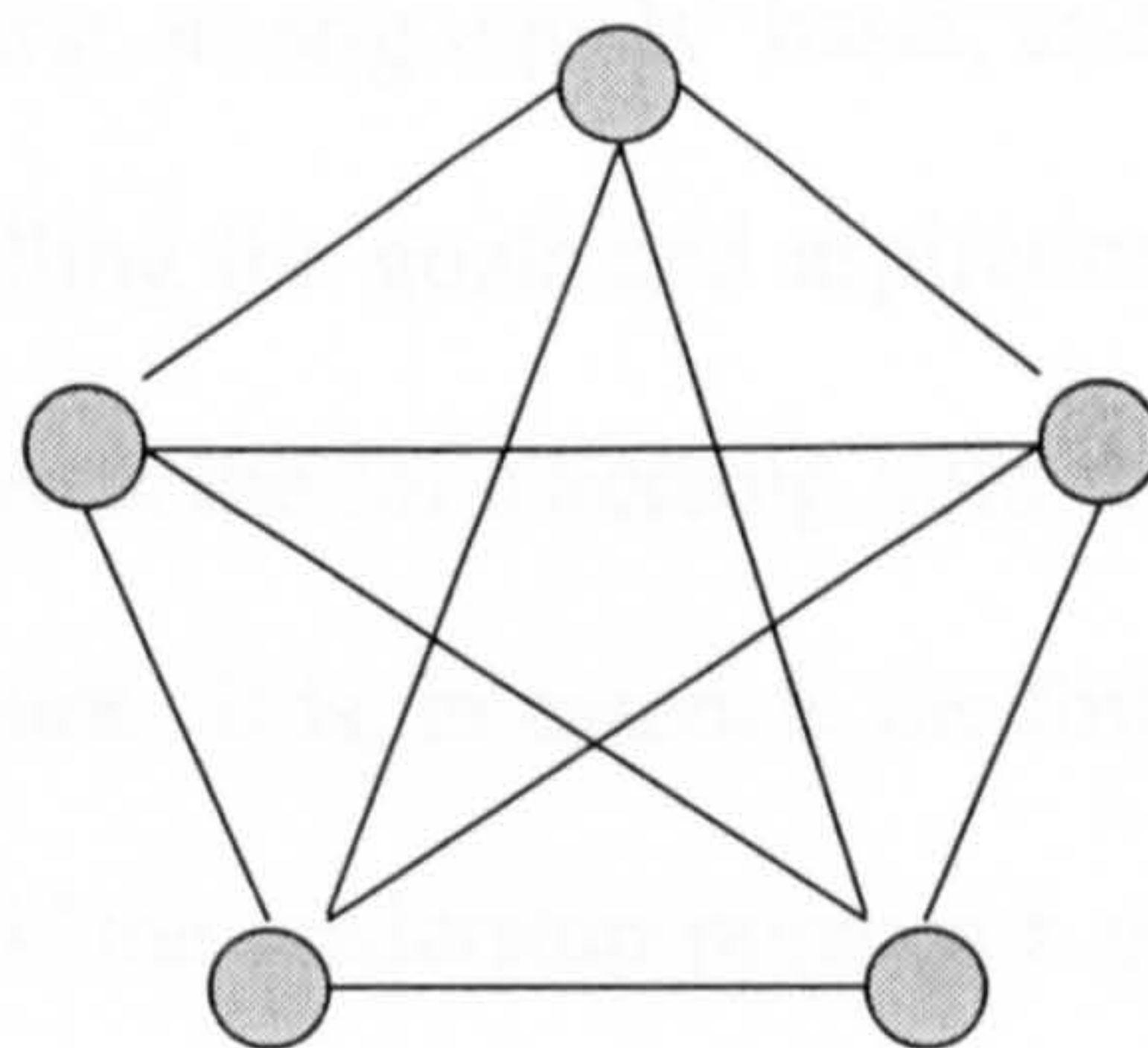
The basis for leadership does not necessarily, therefore, have to be aligned directly with followership goals and aspirations since, in concentrated interaction networks, the followership is not in a position of power to enforce its goals. Consequently, the influence of a centralised leadership could be used to achieve goals that are not in line with or even in the interests of its followership. A concentrated leadership distribution thus indicates an influence relationship where the leadership does not rely on the distribution of influence to all levels of the network (since the form of the network makes this strategy inappropriate for preserving centralised leadership). Therefore, for the followership, a concentrated interaction network provides little opportunity for followership influence over

network identity and actions.

### 3.3 Dispersed Interaction Networks

A dispersed interaction network enjoys a widely distributed system of interactions and communications within the network, which results in a more equalised distribution of interaction (Figure 2.2) than in a concentrated network. In this network pattern, interactions are not focused on one network location, but spread throughout the network to a number of locations. The dispersed interaction network does not therefore possess one central location, but many centres of interaction spread throughout the network and, in correlation to its lack of a centre, also possesses fewer peripheral members.

Figure 2.2 Dispersed Interaction Network



The pattern of a dispersed network therefore provides a number of network locations with influence. In a dispersed interaction network, communications between members are largely immediate and there is no central location through

which communications and information pass, therefore parallel leaderships can be situated at a number of different locations concurrently. As followers have access to a similar amount of communication and information as each leader, the role and influence of the followership is consistently high and independent. Thus, in a dispersed interaction network the role of the followership is active in network leadership.

### **3.4 Dispersed Influence**

By virtue of the flatter hierarchy, and the complete and immediate communications between network members that a dispersed interaction network pattern allows, the followership are likely to be influential and autonomous. Therefore, a dispersed network pattern permits the development of a strong followership since it provides the followership with a greater amount of authority and thus more potential to influence the leadership. The essence of leadership in such a network is on a 'first among equals' basis, and therefore because of this it is more focussed on fulfilling the goals and aspirations of the followership. In a dispersed interaction network the followership hold the reins of power, the hidden influence within the network. It is, in essence, the followership who are in control not the leadership, since if the leadership pursues a goal that is not aligned, or in the interests of, the followership, the followership have the influence to remove or alter the erring leadership. In such a structure, the function of the followership is to prevent any alteration in network pattern that would allow any one leadership location to achieve a disproportional degree of influence, and thus concentrated

leadership influence. Therefore, to maintain a dispersed interaction network, the accumulation of centralised influence would result in sanctions by the followership. However, the role of the followership in the creation of these leadership choices has been largely overlooked in the literature. In a network where the influence of the followership is strong and displays the ability to remove support from any leader, the leaderships succeed because they display a dispersed influence distribution pattern. Where a strong followership exists, its support is essential for the maintenance of leadership, without which leadership would be cut off from information about the followerships' ideals, goals and understandings, and thus become unable to lead. Therefore a leadership has to instil in the followership trust in its methods of leadership and distribution of the benefits thereof. If the followership should withdraw their support, the choices for a leadership would either be to withdraw from the leadership role and become assimilated into the followership or to leave the network.

### **3.5 Network Pattern and Conflict**

While concentrated influence may provide the network with a firm direction, it can also produce autocratic leadership and difficulty with succession. In a concentrated interaction network the marginalisation of the followership could also result in dissatisfaction within the ranks of the network membership. While a dispersed interaction network allows equally powerful leaders to emerge within a single network, these separate leaderships and their goals could be in conflict with each other. Moreover, and significantly, in both network patterns the followership

retains the right not to support the leadership.

Just as formal and informal network forms are not mutually exclusive, neither are concentrated and dispersed network patterns. A concentrated network may overlap or overlay a dispersed network since the same individuals can be members of both networks. For example, members of a typically concentrated network such as a business hierarchy, can also be members of a local social club where the pattern of the network is dispersed. In employee owned and controlled enterprises the overlap is particularly pronounced, where workers may belong to a concentrated work hierarchy network and also to a dispersed ownership (shareholders) network. Where overlaps occur, tensions may be created through a mis-match of network positions, influence and communications. However, not all networks overlap and where they don't, the differences in network form and pattern could make interactions between networks problematic. For example, where a concentrated interaction network, with its defined authority centre, enters into negotiations with a dispersed interaction network, with its multiple centres.

## **4. Influence Relations in Employee Owned and Controlled Organisations**

Chapter One provided a hypothesis which suggested that employee owned and controlled organisations experience a radically different system of authority relations, controls and exchanges to conventionally organised firms. This implies that these forms of organisation experience alternative patterns of influence and thus different network forms and patterns to conventionally owned and controlled organisations. The suggested alteration in influence relations is based on the assumption that in employee owned and controlled firms the distribution of authority and control based on the control of capital (and the ability to punish) will be equally distributed. This indicates a dominance of dispersed interaction networks. The hypothesis in Chapter One goes on to add that as a result, socially derived sources of influence will rise in significance, implying an increased level of informal network forms in employee owned and controlled organisations. In these firms, while there is management there is no formal authority in the traditional sense, therefore alternative authority structures have to be established.

To relate this to the study in hand, the debate about employee ownership and control is centred on an increased role for workers in the leadership of their own companies, in other words increased worker centrality in organisational influence structures. This indicates a move away from a traditional association of leadership with management, i.e. where the management group controls the leadership roles within an organisation thus constricting power and restricting information to the managing body. With employee ownership and control, the

workers have rights to company information and decision-making previously restricted to management. Thus alternative ownership and control structures increase the flow of information and require a more participative approach to decision-making.

The inclusive role of workers in authority structures is however largely overlooked in the literature. A good deal of this is due to a bias towards 'management studies', and thus a concentration on management influence and leadership alone. The industrial relations literature, while explicitly addressing the role of workers in organisational power relations, conceives of this as dualistic – as a struggle over the resources of the enterprise.

#### **4.1 Leadership and Influence Structures**

When discussing alternative influence forms and patterns it is first necessary to establish and define the various different meanings and arrangements encompassed by the term 'leadership'. Within the field of management studies much work has been published on what differentiates 'leadership' from 'management', based on the assumption that leadership arises out of day-to-day management but requires significantly different (and often implicitly preferable) qualities (Selznick, 1957; Gibbons, 1992; Krantz and Gilmore, 1990). According to Kotter (1996), management is concerned with 'coping with complexity' and leadership about 'coping with change'. They are "distinct and complementary systems ... each has its own function and characteristics activities. Both are

necessary for success” (Kotter, 1996:620). Bass (1985) further defines management and leadership as transactional and transformational respectively. Transactional leadership has been described as “a somewhat mundane set of activities involving short-term problem-solving and decision-making” (Bryman, 1986:23). Leadership as different to management is also discussed in Zalencik, 1977; Bennis, 1976; Bennis and Nanus, 1985; Kotter, 1990; Hickman, 1990, and Peters and Austin, 1985. However, all of these consider leadership and management to be parts of the same system, while these definitions of differences between the terms leadership and management are inappropriate for worker-owned enterprises, where employee influence and leadership is structurally separate from organisational management.

For the purposes of this research, leadership as a term will be applied to any relatively centralised influence within any number of influence structures within an organisation. Management on the other hand will be used solely to denote operational management groups. In this respect the term leadership can be applied to management, trade unions, bodies of shareholders, and to both formal and informal groups. However, this perception of leadership is not reflected in the literature where, originating with F.W. Taylor, organisational leadership and authority has been perceived as the sole domain of the manager, with a subordinate role for the worker in this relationship. For much of the management studies literature the assumption remains that influence structures are situated within the managing elite of organisations alone. Due to this location of leadership studies in the management literature a key issue is under-represented - the role and influence of the workers, both formally and informally.



## 5. Networked Influence Relations: Followership

Within the employee owned and controlled firm, organisational influence is therefore an interdependent relationship encompassing both management and workers. While the workers remain employees they are also the employer and as such embody both sides of the influence relationship, both followership and leadership. Therefore the distinction and dualism between follower and leader is removed as workers simultaneously manifest both aspects of influence relations. This alternative influence relationship is embedded in social processes and structures within and outwith the enterprise, and these provide the mechanism by which the influence of the followership is transmitted. Therefore the social network is integral to the study of followership since this is the reciprocal mechanism that links the follower to the leader, i.e. the periphery to the centre.

While the concept of parallel followership and leadership roles is relatively underdeveloped in the literature, some work has been undertaken which addresses the area of mutuality in group relations. The existence of a followership and of their relationship with the leadership is occasionally addressed in the literature,<sup>1</sup> but while this mutuality is acknowledged this is often done obliquely and with little conceptual development. Research undertaken by Bargal and Schmid (1989) criticises much of the leadership literature for ignoring the “mutual fulfilment of both parties”, and adds that “the means by which the influence is exercised, or the context within which the leadership-followership interaction is taking place”

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<sup>1</sup> Bargal and Schmid, 1989: Hafsi and Misumi, 1992: Heller and Van Till, 1982: Hollander and Julian, 1969: Schein, 1985: Moore, 1976: Herold, 1977: Fodor, 1974: Crowe, Bochner and Clark, 1972: Hammer, Currall and Stern, 1991.

(1989:39) are not explained. An exception is Sanford's work (1982) which directly addresses the role of the follower, "it is the follower as an individual who perceives the leader, who perceives the situation, and who, in the final analysis, accepts or rejects leadership" (1982:159). But it is clear that Sanford perceives followership as an individual property and not a collective relationship, and therefore not as a social network phenomenon.

### **5.1 Mutuality**

An early reference to the contextualisation of leader/follower relations within social structures is contained in Gibb's work (1930), which maintains that "leadership is always relative to the situation ... a process of mutual stimulation" (1930, in Gordon, 1955:272). The mutual relationship between the leadership and the 'situation' or context indicates an interdependent relationship between the leadership and the social network. Gordon (1955) explicitly examines the reciprocal role of the followership when he writes, "a leader also must be led ... leadership is truly a process of interaction" (1955:51). Thus he indicates the importance of reciprocity in the leaders' relationship with the network within which they are situated. More obliquely, Kotter's study of leadership (1996) introduces the idea that a leader's 'vision' usually consists of "ideas that are already well known" (1996:622). His work therefore gives credence to the theory that the followership plays a significant role in forming the vision of the leadership. Kotter adds that "what is crucial about a vision is not its originality but how well it serves the interests of important constituencies" (1996:622), thus

indicating the influence of a collective followership. This contextualised view of followership and leadership is reproduced in Krantz (1996), who looks at the “idea that control and leadership is [not] such a top-down process” (1996:643), and Gilmore (cited in Bigley et al, 1996) stresses “the importance of leaders who work with and through people” (1989:649). These works imply that the relationship between followers and the network structure is an important dynamic in the study of leadership.

Turning to systems literature, Krantz found that “in systems terms ... leaders and followers mutually co-produce overall system leadership” (1989:643-4). This is consistent with the view of leadership as a product of relative influence distribution networks.

However comprehensive these studies of leadership and followership are, they omit consideration of employee/worker leaders, although much of the work on leadership and followership can be applied to this category. Despite the research cited which deals with followers and followership, all authors treat leadership and followership as separate entities and forces, often within a dualist exchange relationship. None consider the integral natures of leadership and followership and the possibility in many situations that they are parts of the same force or entity - which is the social network. Moreover, the literature assumes that the role of the followership remains a largely subordinate one. For example, Burns (1978) while acknowledging the role of the followership, assumes that this is a dependent, passive role, where “leaders see and act on their own and the followers’ values and motivations” (1978:19). Homans (1961), Gibbons (1992), Griffin (1979),

Hollander and Julian (1969) and Heller and Van Till (1982) also conceptualise leadership and followership as interlinked in this manner. These studies indicate a form of exchange relationship, where the followership receive advancement of their goals in return for a subordinate role in the relationship, thus the followership is always conceptualised as dependent, i.e. as part of a concentrated influence network. The function and role of dispersed influence networks in organisational life is thus missing from these accounts. The lack of interest in these mechanisms of reciprocity has also meant that very few pieces of work deal with the emergence, or decline, of leaders - dealing mainly with theorising the successes of leaders in motivating workers and achieving management goals. This demonstrates that the literature is firmly slanted towards a management bias, that leadership and its control of the followership is of prime importance. It also demonstrates the assumption that all followers are structurally subordinate to the leadership and therefore cannot and will not become leaders themselves. This indicates a reliance on formal and concentrated influence networks in the exploration and analysis of leadership in the literature, while a review of the literature on employee ownership and control indicates that these forms of organisation possess a dominance of informal and dispersed interaction networks. One work that has addressed the mutual power balance between leaders and followers has been produced by Kirkpatrick and Locke (1996). They state that "effective leaders give power to others as a means of increasing their own power" (Kirkpatrick and Locke, 1996:191), indicating a level of dispersal of influence within the social network. But ultimately the research does not examine the mechanism that transmits power through such actions.

Networks therefore possess four forms of influence: formal and concentrated, formal and dispersed, informal and concentrated, and informal and dispersed influence (Table 2.1).

Table 2.1 Models of Network Influence

	<b>Formal</b>	<b>Informal</b>
<b>Concentrated</b>	1	2
<b>Dispersed</b>	3	4

All are network properties in that the form and pattern of networks establish the relative distributions of authority and leadership. By this means, different networks operate on different forms of influence.

## 6. Collective Identities

The fields of industrial sociology and psychology (e.g. Festinger, 1954; Homans, 1950; Mayo, 1946) have established that social interaction (and therefore social networks) plays a large part in forming employee identities, and in establishing a stable pattern of relations (Friedman, 1989) within networks. Friedman conceptualises “organisational culture as interaction rituals” (1989:4), indicating the importance of communication, and thus a network perspective. Therefore the network is central to the communication of culture, as it is the vehicle through which meanings and understandings are communicated (Rice, 1993; Ibarra & Andrews, 1993; Hammer et al, 1991; Rogers and Kincaid, 1981). The network is the vehicle through which members “come to agreements about what they value, how they will behave, and how they will interpret their experiences” (Wheelan, 1994:27). In a similar vein, Heller (1989) asserts that “reality is considered a social construct ... the primary vehicle for substantiating reality is conversation, particularly conversation with significant others” (1989:68). The use of conversation and ‘significant others’ thus indicates a social network perspective to the process, though this network concept remains undeveloped in Heller’s article. The mechanisms by which culture or collective identity is communicated via network routines include such methods as induction courses and training, and also via network symbols,<sup>2</sup> such as catch phrases (Child and Smith, 1987) and mission statements. Such cultural symbols are communicated through members’ actions and expectations of behaviour and also via symbolic gestures, i.e. culturally

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<sup>2</sup> Geertz, 1975; Goffman, 1959. In this literature, the term ‘symbol’ includes any ‘thing’ (an event, object, relationship, etc.) that conveys meaning.

appropriate behaviour or language rewarded with acceptance, praise and respect (or censured by criticism) by the network. Furthermore, identity control can be achieved through, for example, the scapegoating of cultural deviants (Anthony, 1994) in order to achieve their cultural displacement. Through this means, the network is purged of unwanted identities by accrediting an individual or clique with those deviant attributes/identities and then displacing the scapegoated members to a peripheral network position, or removing them entirely from the network.

The collective interpretation of experiences and events via networked interactions can be termed the collective identity of the network and therefore collective identity is intricately linked to network form and pattern. Collective identities are constructs of meaning and understanding which are particular to each network. As such, each network could be said to possess its own framework for interpreting wider cultural, social and economic influences. As a result, two similarly structured systems of interaction will not exhibit identical frameworks of understanding since each framework is built on network experience and history, as well as the experience, histories and individual orientations of its members. Therefore, the meanings given to situations and events by those experiencing them will be contextual and, while each network possesses its own unique collective identity, or framework of understanding, it will also exist as part of a wider cultural identity. Consequently, the wider cultural environment cannot be interpreted independently of social interactions, and the structures that these social interactions form.

## 6.1 Organisational Cultures

Organisations can therefore be seen to be made up of an number of collective identities which are constructed through networked interactions. However, while 'organisational culture' has been the subject of widespread study for several years, much of the literature dealing with the topic remains located in the field of management studies. There are a number of limitations associated with this, not least that this literature assumes that an organisational culture can and does encompass the entire organisation (Storey, 1989). As a consequence of this unitarist approach, the assumption is that a managing elite or leadership directs and forms the organisational culture and that culture originates with management and diffuses from that point to the rest of the organisation (Pfeffer, 1981: Peters and Waterman, 1982),

Organisational leaders are typically portrayed as cultural leaders, and other organisational members are seen as sharing their cultural viewpoint. Powerful organisational members, usually organisational leaders, define the agreed-upon cultural viewpoint of virtually all organisational members (e.g., Trice & Beyer, 1991).

Thus, consensus is emphasised. (Stevenson and Bartunek, 1996:5)

Therefore, a concentrated influence network is assumed which encompasses the entire organisation. This obviously leaves little or no room for the theorisation of organisational culture under alternative network patterns, or for the influence over network collective identity by the followership. While there is little work



acknowledging divergent subcultures (Schein, 1985; Deal & Kennedy, 1982), there is growing recognition that organisations can possess more than one culture (Jermier, Slocum, Fry, & Gaines, 1991; Martin, 1992; Sackmann, 1992). However, these cultures are frequently perceived as sub-cultures, operating within the overarching organisational culture.

While the management literature focuses on the production of culture simply through processes at work within the firm (Trice & Beyer, 1993; Stevenson and Bartunek, 1996), it is clear that network collective identity formation is also embedded in wider social processes, such as the trade union movement. Such wider social processes are the macro-cultural environments which carry the wider collective identities in society. Organisational social networks are therefore situated within these macro-cultural constructs and the macro-cultural environment is therefore closely associated with, yet separate from, network collective identities. The interaction of macro and micro identity influences leads to the development of established routines and expectations of action and interaction within networks that reinforce their collective identities and internal coherence. This then results in systems and means of deciphering and diagnosing the information that reaches and travels within the network. However, the interaction of the two forces is experienced through the values and beliefs of the network, i.e. through the followership.

However, the nature of divergent interests in conventionally owned and structured organisations means that organisational culture cannot simply be the culture of the management group, neither can it be said to constitute one cohesive culture for the

entire organisation. While traditionally divergent interests *may* not be as apparent in employee owned and controlled organisations, the collective memory of divergent identities could play an important part in maintaining cultural identities and thus in maintaining established conflicts. Furthermore, alternative power sources and structures in employee owned and controlled organisations indicate that the assumption of one, unitarist organisational culture is also unlikely to be found in such enterprises. Organisational culture is more likely to be embedded in a pattern of interactions between core cultural, or identity, groups, while the organisation remains a collection of competing identity networks. Friedman (1989) has shown that there are numerous cultures held within a coherent organisational whole, linked by their expectations and shared routines. It follows that any one individual can be a member of a number of networks, each with distinct but co-existent identities.

## **6.2 Followership and Collective Identity**

Despite the significance of social network forces in the formation of organisational cultures and network identities, the literature largely neglects the integral role of the followership in supporting or in undermining cultures within organisations and regards the followership as a body to be manipulated by the leadership (Anthony, 1994) and not vice versa. For example, Schein (1985) focuses on the cultural impact of organisational founders, and how they create the basic assumptions of the group, consequently the followership has no place in Schein's scheme. Heller also places cultural emphasis on the leadership, "as they

define the reality of the work setting” (1989:68) and can “mediate reality” (1989:75). The problem again lies in the assumption that the leadership is drawn from a different group to the followership, and that followership equates to subordinate employees.

Cultural leadership has also been termed ‘visionary’ leadership (Bennis & Nanus, 1985) and while Mintzberg and Waters (1983) describe these visions as originating in part in the environment, they fail to explain what is meant by ‘the environment’. Kotter’s study of leadership (in Bigley et al, 1996) introduces the idea that a leader’s ‘vision’ usually consists of “ideas that are already well known” (1996:622). Kotter is therefore implicitly indicating that the followership plays a significant role in forming the vision of the leadership. For example, even in instances where the followership often appears docile (some religious cults for example) and the will of the leader supreme, the needs and desires of the followership are still shaping the culture and beliefs of these networks. The leadership of any network can only obtain supreme control over their followership if the desire and need of the followership is for this. If the desire is not there, the leader would be oppressing the followership and dissent and conflict would inevitably result. This concept is illustrated by Bryman’s (1992) work, which links culture, leadership and followership, saying that those who “possess charismatic attributes embody the core or central values of the societies to which they are attached” (1992:34). As Ralston (1989:57) writes, charismatic leaders “were able to focus and shape ideas already present in an obscure manner in the consciousness of their followers”, i.e. dormant goals or suppressed frustrations within their framework of understanding. Burns (1978) also acknowledges the

role of the followership when he writes that, "leaders see and act on their own and the followers' values and motivations" (1978:19).

### **6.3 Influence Relations and Collective Identity Formation**

The form and pattern of networks will therefore influence how interaction routines are constructed. This in turn will construct collective identities by influencing how events are deciphered and given meaning by the network. The more network influence an individual possesses, then the more influence they will have over a network's interpretation of experiences due to control of the communication of understandings, meanings and language, and through role modelling. In concentrated interaction networks for instance, central members will be able to communicate their interpretation of events directly to most of the network, while peripheral members will have little opportunity for this. The reflection by the central location of the peripheral followership's beliefs and goals may therefore be distorted and imprecise. In a dispersed interaction network, the followership and leadership are highly integrated and thus the collective identity is more likely to be integrated.

Identity influence can also be exerted through the possession of formal or informal influence. For instance, in an informal network, influence is not derived from structural position but from embodying, realising and focusing the ideals and values of the followership. If the followership constrains or removes the communication of these ideals and identities to the leadership, then the leadership

becomes ineffective, unrepresentative and likely to fail.

Furthermore, position relative to others in the network, i.e. level of influence attained by the individual, will determine whether the individual can participate in event interpretation, and when or whether their interpretations are listened to or given credence. Not only are there established interaction rituals that dictate the form and pattern of decision-making, but the structure of the network may provide disincentives to speak outside the traditional constraints provided by these rituals. Therefore status comes into prominence in event interpretation situations, through leadership and followership influence. In a concentrated interaction network the focus of information and resources on the leader may disadvantage the rest of the membership in terms of adequate participation, since they will not have access to the full information they need to make a diagnosis of the situation or event, and from there produce an interpretation.

## 7. Collective Identities and Conflict

### 7.1 Identity Convergence

Theories of organisational culture are based on assumptions of conventional ownership and control of enterprises, where management and workers are likely to have divergent collective identities, and where management's identity will be in conflict with that of the workers. The harmonisation hypothesis assumes that divergent collective identities within organisations can be moved towards convergence through the mechanism of employee ownership and control. The management studies literature on identity convergence implicitly takes the view that the power of language and symbols can construct organisational cultures, increasing employee identification with 'company' goals and values. Contemporary movements towards employee empowerment have been seen as management efforts to organise and construct consent (Burawoy, 1979; Ramsay, 1977), away from class-consciousness and towards corporate consciousness. This approach assumes that the interests of employers and labour are intricately intertwined (Tomlinson, 1982) at the firm level and this dependence can be manoeuvred into a common identity, in other words a homogenous corporate culture. In this, the field of management studies assumes that identities and consciousness are individualised and created by immediate, individual relationships, and in doing so the literature largely disregards the reality of collective conflicts of interest within the employee owned and controlled organisation. Unsurprisingly therefore employee resistance has continued to be expressed under these individual-focused schemes. According to this paradigm,

successful efforts at employee ownership or industrial democracy would forge a unitarist organisation, producing a homogenous workplace culture and collective identity, without requiring any alterations to the labour process itself.

Much of the literature assumes that the opposing forces of labour and management can be overcome simply through changes within firms, however this discounts the influence of external social forces and institutions. The literature also bases its prediction of the removal of conflict on the basis that work identities and behaviours are formed solely within the environment of the firm. While employee ownership and control is assumed to remove the inherent conflicts between labour and capital (at the same time as increasing cooperation and identification with common organisation-wide goals), the fundamental flaw of this approach lies in the assumption that identities can be formed solely by those micro-social institutions held within the organisation. However, macro-social institutions outwith the firm are important factors in individual and collective identities, particularly institutions such as the trade union movement. As such, the network identities within organisations are based on collective identities which are in part constructed outwith the organisation. Much of the literature and thought on employee ownership and control therefore ignores the macro-cultural influences on network identities. While it recognises the existence of divergent cultures within the firm, it assumes that these can be aligned without any change in ownership or control.

## 7.2 Collective Identities and Conflict

Network form, pattern and collective identity will consequently shape the options for action and reaction to circumstances and stresses experienced by the individual and the network. Accordingly, a situation may be experienced differently by different networks, according to their means of deciphering and constructing understandings of the situation. Thus the same event may be experienced as subtly different realities by different networks. Furthermore, the origin of information, from within and outwith the network, will influence its understanding and meaning - for example, whether information originates from a 'friendly' or an 'antagonistic' source. No two systems of understanding will therefore be identical. These differences in understanding and in experienced realities could produce or exacerbate conflicts as meanings understood by one network are misunderstood by the other party to the conflict.

Differences in network form, pattern and collective identities also mean that dissimilar networks may approach problem-solving differently. Indeed, it could mean that a network engaged in a conflict situation fails to accept that there is a problem to be resolved, especially if there is a mis-match of understandings between networks engaged in a conflict,

For a group to initiate the process of problem-solving there must be some agreement that a problem exists. (Gordon, 1955:61).

If the problem exists, or has meaning, for only one network within an



organisation, then another network may not perceive it as an important matter, resulting in tensions over solutions to the issue. This process operating on understandings within a group has also been termed a 'stage of diagnosis' (Gordon, 1955:63) of what the problem actually is.

Network cultural realities and identities thus create the boundaries for frameworks of understanding and this imposes boundaries on the reach of problem-solving. Thus, one network may see an appropriate resolution differently to another network and consequently, different interpretations of a problem may require different answers. Part of the effect is that network structures (form and pattern) act by "blocking out certain possibilities for action" (Emirbayer and Goodwin, 1994:1440) which means that certain solutions to problems and conflicts will not be acceptable to the network identity.

Recurrent conflict between two groups, following the same patterns, can therefore be seen as a product of opposing, unchanging identities and the learned reactions due to shared histories of conflict which "serve as effective stimuli to the behaviour of members in the present" (Gordon, 1955:78), i.e. embedded frameworks of misunderstanding. Choices of action and reaction therefore depend on "the individual's restrictions and opportunities" (Zeggelink, 1994:297) which are determined by their network mediated understandings of the situation and the choices available to them as a result of their network role and situation.

### **7.3 Frameworks of Misunderstanding**

While the organisational conflict literature focuses on two main, opposing networks in industrial organisations (the formal trade union and management networks), it is possible to examine industrial relations as a clash of collective identities, resulting in a common organisational framework of misunderstanding. As information and events will be deciphered and understood differently by both networks, a common framework of understanding may be lacking, which leads to misunderstandings, suspicion and mistrust - the traditional 'them-and-us' situations. Such misunderstandings often result in hostility (apparent in enterprises with a suspicion of 'hidden agendas'), and occasionally in open conflict. An adversarial negotiations framework within an industrial organisation could therefore be seen as a framework of misunderstanding.

### **7.4 Identity Dissonance**

Since membership of organisational networks is not necessarily discrete, dissonance, or conflicts of meaning, may arise as any one individual can be a member of a number of networks, each with distinct but co-existent collective identities. Conflicts of meaning can therefore occur within, as well as between, networks through the process of identity dissonance, where more than one collective identity exists within an individual or a network. Consequently, tensions may be created by the membership of overlapping networks, where the collective identities of the networks are not compatible. For instance, Hammer,

Currall and Stern's (1991) study of worker directors throws light on the conflicts that arise as a result of industrial democracy in firms. The research records that worker directors were perceived as "a potential threat to the power of corporate management" (1991:664). This conclusion should not be surprising since worker directors constitute a threat to the formal power base or influence of the management network. As company directors, their position within the formal management network is highly centralised, yet their background, and informal network membership, is usually based on a central position within the local union network.

From the other side of the dissonance equation, Hammer et al focus on the role expectations of worker directors, which they describe as 'sent roles', based on "communications from others about role expectations intended to influence worker director behaviour" (1991:666). Tensions arise when worker directors "receive divergent role expectations" (1991:667) resulting in role conflict within the individual. From a network perspective, this can be reconceived as information and expectations received from membership of parallel networks with distinct collective identities, resulting in contradictory expectations and thus in identity dissonance. Therefore conflicting collective identities occur in the individual. The solution to the perceived problems created by this form of employee participation suggested by Hammer et al is to "create or define a worker director role that does not threaten [management's] power position" (1991:664), in other words to find an alternative network position for the worker directors that does not directly overlap with management's influence network - thus removing the source of the tensions. While this could be achieved through assimilating

employee representatives into management's network in a more peripheral position, it could also mean situating the worker directors in an alternative network. Hammer et al do not consider these alternative scenarios, and so neglect to evaluate the implications of their conclusions. If the latter scenario were the case (situating the employee representatives in an alternative, non-management network), then the assumed creation of common goals within participative companies would be unlikely to occur since the separate organisational networks would still remain, even perhaps becoming reinforced by the creation of participatory structures. Therefore, within employee owned or participatory firms, tensions can be created by the multiple, but not complementary, organisational network memberships of workers. Consequently, the membership overlap between both ownership/management and workers' networks in employee owned and controlled organisations may result in tensions created by identity dissonance.

However, identity dissonance may also occur where the collective identity of a single network is challenged. In this event, the collective identity of the network is in flux and dissonance occurs while the network searches for identity stability. In dispersed interaction networks, for instance, where the form facilitates a number of leaderships located throughout the network, competing leaderships may result in a number of competing (collective) identities, resulting in identity dissonance within the network. In more concentrated identity networks, where leadership is focused on a central network location, leadership succession may also produce identity dissonance among the followership, as the new leadership displaces the framework of understanding of the departing leadership. Heller (1989) indicates identity dissonance in her work on leadership succession,

Leadership transition is a conversion process that succeeds when followers transfer their allegiance from the predecessor - and that person's view of reality - to the successor. (Heller, 1989:65)

Heller maintains that new leaders “encourage followers to repudiate the old order and give their allegiance to the new one” (1989:75), through a process of scapegoating and ‘status degradation’ of the departing leader. However, this work does not distinguish between different forms and patterns of relationships between the leadership and followership, and leaves the mechanisms underlying the conversion process unexplored. The social construct of influence is assumed and the article fails to give adequate importance to the tensions that disruptions of network processes will generate, unlike Friedman’s work on labour negotiations at International Harvester, (1989) which outlines how the disruption of interaction patterns could result in conflict. While, at International Harvester, the formal positions of management and union were opposed, established informal interaction patterns between the negotiators allowed them to communicate and cooperate during negotiations. The conflict Friedman studied was a result of management “eliminating those managers who carried and reproduced that culture” (1989:3), thus removing from the informal network those managers who understood the language of the union identity. In effect, International Harvester replaced a common framework of understanding for their negotiations with a framework of misunderstanding – resulting in conflict.

## 8. Summary

The conceptual framework developed for this study has sought to avoid and escape from the bounds of the concept of power and resistance, and develop an alternative view of influence relations in organisations, which is argued to be comprised of multiple layers of meaning. The concept of collective identity, created through network interactions and recognised through network symbols such as language and understandings, presents a concept for disclosing both observable and unobservable organisational conflict. This social network perspective permits a consideration of institutionalised conflicts and of the role of individuals within these processes. It also permits the contextualisation of conflicts, and allows for an investigation of the different functions that conflict has in different situations. However, to operationalise this concept a methodology and method are required which can address both the structured abstraction of the social network and the grounded experience and contextualisation of organisational tensions and conflicts.

# Chapter Three

## Methodology and Method: Issues and Practice

This chapter will, in the first instance, address the methodological issues raised by the combination of a methodology firmly based in a quantitative tradition with the use of qualitative research methods. The second section of this chapter is devoted to a discussion of the issues raised by the gendered dynamics of the research process. In particular the matter of gendered access to data is considered, including the dilemmas, obstacles and advantages of being a female researcher in both female and male dominated organisations.

### 1. Methodological Introduction

The broader social construction approach on which this study and its methodology are based contends that individuals, their identities and behaviours, are embedded in social network relations. This implies that identities can be formed via a number of different allegiances, from small scale, localised networks to the wider, more abstract forms of networks, ie where allegiances and identities are formed without a tangible relationship between core and periphery. This does not imply that all networks have the same influence on identity. Some small scale networks such as the immediate family may have a considerable identity forming influence,

while a larger network such as membership of a global association may hold little sway over opinions and behaviours. Alternatively, membership of a workplace network or team may exert little influence over an individual's identity, while membership of a larger network, such as a trade union, may be a significant identification factor. Importantly, identities are assumed to be both unique to the individual while at the same time encompassing the reality of collective identity. In addition, identities are also considered to be contextual in nature, and the differing ways in which individuals and networks experience, understand and conceptualise their realities is considered. As Chapter Two outlined, this ontology draws on a number of theoretical sources, but does not pretend to deliver a global theory of social construction, rather the dominant organising principle in organisations is considered to be their social networks, both formally and informally organised. The methodological approach adopted therefore utilises and encapsulates aspects of social network analysis.

As the literature review of Chapter One demonstrated, membership of an employee owned firm embodies in each individual the role of both employer and employee. It has therefore been hypothesised that worker owned firms experience a radically different system of influence relations, controls and exchanges to conventionally organised firms. This hypothesis has a number of different geneses, in labour process theory and in managerialist studies. Extrapolating from labour process theory, the suggested change in influence relations is based on the assumption that in worker owned and controlled firms influence and control based on the control of capital (and the ability to punish) will be equally distributed.



Therefore socially derived sources of influence will rise in significance. This socially derived influence is, in social network analysis theory, termed 'social capital'. However, the use of this term confuses the issues of control of capital with that of possession of social influence and as such this study will not be adopting this particular network terminology.

However, the reduction or removal of the unequal distribution of capital through the vehicle of employee ownership does not necessarily equate to a harmonisation of relations. This study hypothesises that in employee owned and controlled firms there will be scope for unequal distribution of influence, giving rise to conflict based on socially derived status and membership of social networks. Such a hypothesis finds some support in the literature on cooperatives. Tynan and Thomas (1981) claim that "the power of an individual within the organisation is linked to the wide social context in which he operates" (1981:8). Tynan illustrates this in her 1980 study of a printing cooperative. In this case, a semi-skilled worker claimed that her lack of formal education and working class background made her insecure about participating in company discussions.

From a managerialist perspective, it has also been suggested that employee participation in decision-making increases employee identification with company goals and values. This identification is achieved, without any change in ownership of capital, through increased worker control of the labour process. It is however clear that both hypotheses suggest a fundamental alteration in employee identifications within the workplace, and with the form of influence relations at

work. Extrapolating from this ontology to the study of conflict, conflict processes are seen to be shaped both by social networks and by the wider context, and consequently the nature of conflict processes will vary over space and time. Therefore, there is a need to understand contextualised and complex network identities and realities in order to understand conflict practices and processes. To explore these associations, an investigation of influence and identity distribution in employee owned and controlled firms is necessary. As the literature suggests that influence in employee owned and controlled organisations is socially, as well as bureaucratically or politically produced, this indicates a need to examine the social relations within such organisations. In addition, in order to specify why some individuals may become more or less involved in conflict situations, their generation and resolution, a study of the morphological and interactional characteristics of the social networks under investigation is required, since the attitudes and values individuals adopt in a conflict situation do not necessarily indicate the underlying reasons for their actions (Mitchell, 1969).

These underlying reasons are hypothesised to be based around membership of and position within social networks. Social networks however encompass wider organisational relations than those most often examined by much of the industrial relations literature which confines itself to analysis of conflict within the formal structures of the firm, focusing on areas such as grievance procedures and collective bargaining. In contrast, the literature from the field of psychology emphasises the informal, interpersonal aspects of conflict and, while it draws on theories of 'group dynamics', fails to give adequate weight to contextual factors.

These two fields of conflict analysis could be married through the use of contextualised social network analysis, which allows the study of both formal and informal contextualised conflict, on small and large scales alongside the study of group conflicts and the role of individuals. However, despite a number of studies of employee owned and controlled organisations in the 1970s and early 1980s, very little is known about the shape or strength of their workplace networks. The literature fails to place an emphasis on networks of relationships, and while it generally talks of 'social relations' and their problems, it possesses no methodological or theoretical framework in which to place or analyse the sources of organisational dynamics and/or stasis. While most studies do report that employee owned and controlled organisations tend to exhibit an intense group life (Paton, 1978; Tynan 1980), what has been published leaves the question of the impact of social relations practically unanswered. Moreover, over the last decade research on cooperative forms of work organisation and ownership has largely faded out of fashion. This is a process mirrored by the relative decline in collective worker influence in society at large and in its political processes.

Therefore, a contextualised social network analysis should be applied to the study of conflict and harmonisation processes in employee owned companies. Social network analysis provides a coherent methodological and analytical framework within which these relations can be investigated and within which the relational data can be organised and analysed. Without the use of such a framework for the understanding of social relations and constructions, conflict cannot be accurately

or adequately analysed, and without adequate analysis workable solutions cannot be formulated.

## 2. Method

The methodology adopted by this study is designed to access the mechanisms used by social networks in the generation and resolution of conflicts at work. However, the more positivist industrial relations methodological approaches to the study of conflict, resistance and consciousness are, for these purposes, overly deterministic and dualistic and as such are unlikely to uncover the complex, contextual motivations and constraints which underlie participation in conflict practices. The use of these approaches would thus tend to deliver inadequate methodologies, due to an over dependence on relations and conflicts that are visible. From the other academic pole, managerialist approaches to the study of workplace conflict and identities are also overly positivist, and in addition are overly individualistic for the study of collective identities while also failing to account for the contextual and relational nature of conflict processes. Too much emphasis on the individual and a lack of consideration of the objectivity of experience could also be a critique levelled at cultural studies. The epistemological position adopted by this study would be poorly served by such methods, as the objective of the research is to uncover hidden meanings and relations within networks and use these to illuminate conflict processes. Therefore it is important that the methods chosen do not overly impose meanings or intentions onto the participant's behaviours, and consequently a qualitative methodological framework is appropriate. This allows the research to go beyond the more mechanistic approaches of the managerialist measures of job satisfaction, employee loyalty and attitude surveys, which reduce employee values and

identities to aspects of management philosophy, and which reduce employee identities to face values, i.e. what can be observed. In order to gain access to the invisible aspects of network relations and processes a method, which is able to access data beyond the surface observable events, is required. This creates a number of complications when using social network analysis. Even though some of the original studies were undertaken, using anthropologically derived methods, in work enterprises, (Warner and Low, 1947; Mayo, 1933; Lupton, 1963), social network analysis has since developed within a positivist, quantitative tradition, comprising formal mathematical procedures (Filament, 1963; Harary, Norman and Cartwright, 1965).

### 3. The Principles of Social Network Analysis

The field of social networks can be dated back to the 1930s and principally to Mayo's studies of factory and community life, but it was not until the 1950s that the term 'social network analysis' became commonly used. At this time, the research undertaken in the 1950s and 1960s was principally concerned with the effects of "the morphological features of the network itself and their implications for social behaviour" (Barnes 1954, in Mitchell, 1969:5). Mitchell himself considered interactional characteristics were "likely to be apposite in any attempt to describe social behaviour adequately" (Mitchell, 1969:12). Thus, the origins of social network analysis lie in behavioural studies and in social anthropology. This link between social structures and behaviour closely approximates the collective identities hypothesis on which this study is based.

Social network analysis as it stands today provides a means of measuring and analysing interactions within a social structure. However, while network analysis measures the relational characteristics of the group or network, its development as a methodology has been in a highly quantitative, positivistic direction. Established social network analysis exactly measures the morphological characteristics of a network, using indices such as density, reachability, degree, and centrality (Appendix I). These characteristics indicate the theoretical possibilities open to an individual to interact and communicate with other network members. Social network analysis uses these measures to determine an

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individual's position and role within a network, for example whether a figure is peripheral or central to the network. From this data, a picture of the shape of the network can be constructed, including for example the existence of dense sub-groups or cliques. The general hypothesis generated by and associated with the shape of a network is that if information flows easily in all directions then it will become possible to dissipate tensions and therefore deal with the sources of conflict. However, if communication does not occur or is trapped within a clique, this may lead to a build up of hostility and conflict and result in an inability to deal with the root causes of the conflict. In this way, highly centralised networks may "reduce group satisfaction, harmony and solidarity and instead produce internal conflict" (Hogg & Vaughan, 1995:248) through the isolation of peripheral members. However, these measures rely heavily on quantitative data, thus reducing relationships to simple structures or lines on a graph, and individuals to nodes within a sociogram. The use of these mathematical methods removes any subtleties from sets of relationships. Beyond these strictly morphological measures, the transactional content of interactions is a crucial consideration in the study of conflict processes. A high reachability score for example does not indicate positive relations if the relationships between members of a network are acrimonious. Social network analysis is also used to examine the transactional nature of relationships and the character of those links. Indices used to measure transactional content are - intensity, multiplexity and the direction of relationships (Appendix I).

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Networks with high scores in intensity and multiplexity indicate that network members interact in many different contexts and therefore will probably identify strongly, and on many levels, with the other members of the network. Multiplex networks also provide their members with a high level of co-accessibility, e.g. at work, at the pub, the gym, the cinema, and therefore with ease of communication which can be used to promote group norms. Social network analysis theory states that the more cohesive, e.g. dense and multiplex, the network is, the more conformity to group standards there will be. This is achieved through improved communication, cooperation and interpersonal acceptance (Evans & Jarvis, 1980; Mudrack, 1989; Levine & Moreland, 1990). The establishment of common values and behaviours within a group can therefore decrease the incidence of conflict arising from a clash of network values (or 'frameworks of understanding'). The variety of relationship contexts in a multiplex network also means that it is harder for a member to withdraw completely from the network if there is a disagreement. If a relationship were to be 'single-stranded', e.g. based solely on a work connection, a problem in this relationship could easily result in the individual's withdrawal from the network, e.g. resignation from the job. Multiplex, or multi-stranded, networks are therefore assumed by the literature to be more robust and able to withstand conflict than single-stranded relationships (Boissevain, 1974). In addition, consideration of the flow of information within a network is crucial in the study of conflict type and intensity. In a highly centralised network the possible scenario of a unidirectional flow of communication from those in control of information may provoke frustration in other members. It may also prevent the

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open expression of this conflict, as individuals could be wary of speaking out against those in possession of influence. Again, these are measures of purely observable phenomena and allow for no interpretative data to be gathered or used in a sociogramatic analysis.

This dilemma was highlighted in the piloted methodology,<sup>1</sup> which was constructed using social network analysis-led indices of network interactions. The intention was to construct sociograms of various relationships using indices and measurements constructed around Barnes' interaction analysis criteria (Hollander, 1976). From these indices a picture of network relations and morphological patterns was to be constructed, using a simplified version of the concepts of centrality, direction, multiplexity, and cliques. The indices used were numerous<sup>2</sup>

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<sup>1</sup> Used in Case Study One, NurseryCo, a small childcare ESOP in the West Midlands. NurseryCo had a staff of five full-time (of which three were owners), and two part-timers. Two of the full-time and permanent staff were being considered for ownership. Control on a day-to-day basis was restricted to the Full-time Nursery Officer as required by legislation. However, once a month a full meeting of all staff was arranged, out of working hours, to discuss and vote on future issues.

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- \* When a member went to another for advice and who gave the help.
- \* When a member went to another for permission, who they went to and the outcome of the exchange.
- \* When decision-making help was requested and from whom.
- \* Whether informal help was offered at work and whether it was accepted, e.g. making cups of tea, going to the shops.
- \* Who gave and who received information on work, leisure pursuits, gossip about another member.
- \* Who told jokes to whom, about whom.
- \* Whether there was someone who was complained about and who tended to receive the complaints.
- \* Who offered help outside work, e.g. lending time or money to another member, or baby-sitting for another member.
- \* Who met outside work, e.g. to go to the pub or cinema.
- \* Whether any member leaves the organisation - turnover and absenteeism measures, to indicate one conflict solution.

and were constructed to measure the multiplexity of the group, transactions and their contents, central and peripheral actors, and conflict situations. In order to identify network positions, interactions were coded along the following lines: A score of minus one (-1) indicated an interaction in which a group member took a subordinate role, a score of plus one (+1) likewise indicated an interaction where the member took a dominant role. A nought (0) was used to indicate a lack of interaction. The field notes also recorded the frequency and duration of interactions between network members. In addition, proximity was noted, i.e. whether actors worked side by side. While these measures of frequency, duration and proximity proved useful in identifying subgroupings within the network, the indices used in the pilot proved to be a severe obstacle to the collection of the quality of data the study required. In the first instance the use of scored measures restricted the data to a finite set of indices and coded categories, devoid of context. While this allowed network form to be recorded with confident accuracy, much of the rich detail of the network relationships and interactions was lost in their reduction to simple mathematically described and defined relationships. The use of this technique also formalised and estranged the researcher's presence by making the data collection process highly visible to the participants yet highly coded and therefore inaccessible to them. This resulted in a constraining effect on the behaviour of the group, and the researcher's role as a participant was also restricted. Consequently the data collected largely represented an outsider's view of the social processes.

Therefore, SNA as a methodology, while it is case specific, suffers from a lack of contextualisation and of rich data. To avoid the problems faced by much of the literature of false assumptions which then evolve into erroneous causal connections, a deeper and wider analysis is needed. While SNA measures remain important, their primary value to this study is in their indication of network form and pattern, and not as an indication of network processes. The methodology therefore needs to be examined not as a blueprint for conducting research, or as a research design, but critically in order to discover whether a more qualitative form of social network analysis could be developed as the basis of a new methodology for this study. This new methodology would be based on the belief that the background, culture and context of relations are what make interactions decipherable. Likewise, it would need to provide an insight into the dual role of the individual and of the social structure in the evolution and revolution of social relations. The following section will examine the shortcomings of established social network analysis, especially its essentially descriptive nature, and then move on to rework the concept to include notions of both network and individual frameworks of understanding. The result will be an analytical framework that expresses the three-fold nature of social networks - structure, identities, and the cultural-historical-political environment within which the network is located.

### 3.1 Structure

The vast majority of the literature on social network analysis remains dedicated to the quantitative, mathematical study of social networks, where actions are primarily determined by the social structure. These analyses concentrate particularly on categories and relationships in an abstract form. Social network analysis's terms, such as density, centrality, distance, structural hole, multiplexity, cohesion and symmetry indicate a solely structural, and snap-shot, approach to networks which reduces the individual to a node, and relationships to directional lines. Thus the highly deterministic and quantitative developments within social network analysis have amplified the removal of the network from its social context. Established social network analysis assumes that the position or office an individual occupies within a network is of greater significance than that individual. This focus inevitably leads to certain types of, and limitations to, predictions of network behaviour and dynamics. The assumptions of social network analysis also tend to be globalistic in the sense that it is assumed that individuals in similar network positions will behave similarly. Therefore, there is a fundamental assumption of homogeneity and hegemony within social network analysis and a lack of contextualisation. The result of this is that relationships within a network are awarded values devoid of their cultural situation. Even with measurements of the transactional contents of relationships, the wider picture can be lost and the network positioned in a social void. Thus a concentration on the content and form of networks (the purely structurally determined responses) can be overly restrictive. The need is for a framework (and therefore following from

this an appropriate methodology) that does not impose artificial boundaries on understandings of the social dynamics of networks. However, this does not indicate that structure is redundant in this study, it does have an important analytical role to play, but it is not considered to be the prime determinant of social dynamics. The 'network' is not the same as the formal structure of roles within it, but more than that. It is a social institution which links actors and their goals within a more or less stable structure. Therefore, both the formal structure and the informal content of networks must be examined.

### **3.2 Identity and Micro-Cultural Environments**

The informal content of networks is determined by the network members and their identities, the cultural-historical-political situation of the network and of the individuals who constitute it. Therefore the network is more than a question of structure or of individualised behaviour, it is a product of macro and micro forces and collective frameworks of understanding. Therefore, the role of the micro-cultural environment of a network is as important as that of its social structure in the analysis of social action and change.

Members' identities will be derived partly, but are also separate, from network position, i.e. individuals in similar network positions will not possess the same individualised identities, just as they won't be biologically identical. Just as there will be differences in gender and age within a population so there will be

individualised identities derived from social experience and by membership in other, overlapping networks. All of these play a considerable part in group dynamics. Network members will however share a common micro-culture with the other network members and therefore will have a common collective identity, such as the collective identities of a work team, a football team, or a family. This does not suggest a network populated by identical individuals, but that a network generates its own micro-cultural environment with which its members associate as parts of that network entity. While the wider culture, e.g. capitalism or secularism, extends beyond and addresses all networks, there is a localised cultural environment, associated with but different to the macro environment. It is with this localised culture that this study is primarily concerned, and how the individuals as a network shape and are shaped by their localised frameworks of understanding.

Such localised culture can be defined as a shared set of values, meanings and purpose which work together to form network ideologies which “organise and simplify our overall understanding of what is important” (Wheelan, 1994:41). Network ideology is therefore a framework of understanding for the network, an identity which is closely associated with network goals. These frameworks of understanding create a social reality for the network members, and are shared through communication (Salancik and Pfeffer, 1978) with “salient or relevant others” (Ibarra and Andrews, 1993:288), in the network. As communication is a network property affected by network structure, culture and understanding are also network properties and must be studied in this respect.

Where two or more frameworks of understanding overlap, misunderstandings may occur where the different networks use different vocabularies, language and concepts to explain the same events or information (Sewel, 1974). The network is therefore the repository of ideals, meanings and understanding of the environment within which its members are situated. The framework of understanding embodied by the network is the means by which information flowing into the network is processed and deciphered. Interaction is therefore central to the construction of understandings and culture. Thus the network embodies the ideals for and of its members. New members may join because of what the network represents, for example some cultural frameworks can only be realised collectively, e.g. worker resistance. The network structure therefore carries the framework of understanding of the group and the personal beliefs and values of the members. As a network is enlivened by its members, these frameworks of understanding and collective identities are not fixed and can be changed by the members (Mathien, 1988) or by a change in members. Therefore change occurs via the network and is thus a network property.

### **3.3 Macro-Cultural Environments**

Such micro-cultural identities, or collective identities, of networks are themselves situated within broader socio-cultural-historical environments. Identities will also be formed by membership of macro-communities or networks, where social mores will amend the presentation of identities. For example, in some communities



actions that are otherwise considered blameless may be considered unacceptable (for example wearing shorts is usually acceptable in secular society, but may be considered inappropriate clothing inside some churches). Therefore, some groups may possess differing value judgements about the boundary between acceptable and unacceptable behaviour. To understand the mechanics of social action, wider value systems, beliefs and characteristics also need examination.

The concept of the role of the macro-cultural environment owes recognition in part to the field of 'group processes' literature, and within social network analysis to the work of Emirbayer and Goodwin (1994) and their concept of the "(potentially) autonomous causal significance of cultural or political discourses" (1994:1436). Emirbayer and Goodwin's paper criticises social network analysis for having omitted consideration of the way 'cultural structures' shape social action, and that social network analysis has "inadequately theorised the causal role of ideals, beliefs and values of the actors that strive to realise them" (1994:1446). However, they fail to distinguish between macro and micro cultural frameworks and how these are established and interact with networks. They are implicitly concerned with the macro-cultural environment and how it influences the individual actor. There is a lack of analysis of how the two different forms of cultural framework affect network member's frameworks of understanding and identities within a situation. Therefore culture is not necessarily as external to the network or discrete as Emirbayer and Goodwin would suggest.

In addition, historical period may also alter behaviours, for example the increase in industrial action in periods of relative worker power. This plays an important part in determining action in a given situation. Therefore, the macro-historical environment is an important consideration since it makes certain networks and their cultures more enabled, popular and salient at certain historical periods. At a smaller scale, it is also important to consider the histories of the individuals in a network – their joint histories and their separate histories. A micro-historical understanding is therefore necessary in order to explain why individuals join networks (their past experiences), and why networks act as they do, e.g. network rituals, expectations (such as ‘them-and-us’), and learned responses. This provides information on the context of the collective identity of the network.

The main concept developed through this re-working of social network analysis is the interlinking, yet discrete, natures of structure, with individual and cultural situations. The decisive element in this study is the inclusion of the last point, the cultural-historical-political environment, which links the fields of social network analysis, formal and informal social relations research, and group processes literature. The dynamics of response and change are therefore subject to the interplay between the individual, the network and the cultural situation. Network qualities are therefore a product of both the members’ identities, individual and collective, their individual network situations and the situation of the network in the historical-cultural-political environment. Consequently all individuals are different and unique, but are all situated within networked cultures and all situations are different - structurally, culturally and historically dissimilar.

Furthermore, individuals can choose to uphold or alter the network identities, as it is through the individual that the networked reality explanation, or identity, is interpreted and portrayed.

The social network framework used in this study therefore has its roots firmly in social network analysis but has been developed beyond the present scope of this perspective. Structural analysis alone has been shown to be insufficient since a structure needs to be populated with contextualised individuals, and the values and beliefs of these contextualised individuals are as important as the abstract network structural force. As network characteristics are an integral part of understanding social action and change it is only by looking at the interaction of group values, frameworks of understanding and characteristics within a structure of social relations that it is possible to trace the evolution of social norms and identities. As frameworks of understanding and the social structures within which they are embedded are interdependent and rely upon each other for dynamic social relations, social interaction within a group or structure creates a dynamic as networks create, or react to, social situations. Often this is in response to alterations in the cultural-historical-political environment in which the group operates and from which it draws its identity. This interplay can be facilitated or constrained by either micro and macro social forces. These responses to social stimuli can reinforce the collective values and behaviour of the group, produce response evolution or revolution.

This three-way interaction between the individual, network and ideology or culture provides a framework through which the researcher can explore and analyse the dynamics of social processes. It is through these contextualised network response processes that an understanding of the role and significance of conflict can be generated. However, SNA crucially fails to acknowledge the intrinsic impact of micro and macro-cultures and their historical and political situations. While social network analysis recognises individuals it does not recognise their uniqueness and tends to portray all actors as identical with homogeneous identities. Currently the bulk of the social network analysis literature is concerned with creating a static picture of the network (Zeggelink,1994), exploring issues such as the degrees of centrality, reachability or density of a network (Mizruchi,1994; Granovetter,1994; Skvoretz & Fararo,1996; Burt,1992; Knoke & Guilartre,1994; Hogg & Vaughan,1995; Meyer,1994; Ibarra & Andrews,1993; Wasserman & Faust,1994). While these network analysts would not deny that individuals, culture etc. are important in particular situations, their approach is to abstract from all that in order to identify the independent influence of network structure. Such an approach is inappropriate for this study, which is concerned with the contextualisation of network structures in order to understand the processes and dynamics at work. As conventional social network analysis depends heavily on a quantified structural analysis of social relations, its usefulness in exploratory, qualitative research is limited. The analysis presented here has taken social network analysis a step further and integrated individual identities with the social structure within which identities are embedded - the networks and frameworks of understanding. The web of social

networks, which constitutes meso-society, is the context within which individual networks operate. This alternative social network framework captures the dynamics of the social process at work since it allows the consequences of interactions between the individual, network and culture to be studied. Furthermore, heterogeneity and change within and between networks is easily accommodated within this concept of social dynamics. Networks are therefore complex institutions and not simply abstract forces - behaviour and behavioural modifications within groups are considered to be products of the interrelation of contextualised individuals, their values and identities, with the particular abstract structure of their networks. Consequently, it is of particular importance that networks are embedded in cultural, social and historical relations (such as the social relations of production), which is an issue social network analysis totally omits. The concept of the social network used in this study is not therefore one which simply focuses on the formal structure of roles, but one which is able to access both formal and informal relations and processes.

## 4. Field Method

This reworking of social network analysis provides the background for the collection and analysis of the field data. The appropriateness of the field methods adopted was consequently a crucial consideration particularly as the epistemological approach to the study indicated that there is no unambiguous 'reality' with which, or within which, networks and their members operate. In order to align social network theory with concepts of contextualised, collective identity construction a more interpretivist method was required, rooted in ethnomethodology and utilising qualitative, context sensitive methods. This would allow the meanings, realities and identities of the research participants to emerge and distil out of the noise of the narratives. To achieve this, a return to the anthropological origins of social network theory and methods (Gluckman, 1958) provided a meaningful springboard for the reworking of social network methodologies.

The major methodological change associated with the remodelled social network analysis was therefore a move away from the collection of data related to quantitatively defined indices, to one based on 'themes', where the characteristics of the networks and their social dynamics were not taken to be abstract calculations or measurements. This permitted a broad range of data to be collected, most of it in free flowing narrative form. An inductive approach to the study of conflict processes and identity construction was therefore developed. This provided a framework which allowed for the examination and analysis of the

different ways in which the participants experienced, perceived and apprehended those conflict processes and practices with which they were associated. However, many realities, identities and understandings held within networks cannot be approached or seen directly and are hidden within the interactions and relationships between the network members. The choice of method had to reflect these constraints and possibilities, and therefore in order to understand the contexts within which the networks were operating a qualitative and longitudinal approach was designed. The methodology allowed a progression to a more specific theoretical treatment of the data which meant that the analysis could occur concurrently with the data collection by uncovering from the narrative hidden meanings and processes and links between themes. As the data was organised certain network patterns became apparent, which could be explained as patterned customs or rituals, which “express and reinforce conflicts” (Gluckman, 1958, in Frankenberg, 1982:20). The generation of these patterned concepts involved a constant re-evaluation of the data. As the analysis of the themes layered on to each other, links between the concepts were developed, which invariably involved a return to the narratives and a deeper analysis of the texts. However, it was important not to lose sight of the fact that any understanding gained represented a specific socio-historical, cultural and political moment.

## 4.1 Observation Methods

The principal method adopted for the data collection was observation, both direct and participant depending on the field context. However, the term 'observation' is somewhat misleading in the context of this methodology because it implies a reliance on events as they appear. In reality what was undertaken was "the suspension of the belief that things are as they appear" (Giddens, 1993:41), thus going as far as it was possible to avoid imposing over rigorous and academically defined boundaries on the data. These 'invisible' processes and relations are more likely to be accessed by observation approaches (participant and direct) because it means that data otherwise considered irrelevant by the participants, misrepresented, or misunderstood would be considered (Scott, 1991). In addition, it means that interpretative and impressionistic data could be collected. This method also allows for a richer detail in the data (Wajcman, 1983), for example by recording the type of clothes worn on different occasions and by differently located network members. Observation of events in the field was also considered the appropriate method as the data had to be situational to be realistic, it could not be taken from laboratory situations, and the networks had to be seen in action to explore the variety of adoptive responses to network pressures. However, the reality of the 'Hawthorne Effect' or the biasing presence of the researcher in the field on the behaviours of the research participants was also considered. An explicit exploration of this, its disadvantages and advantages, is contained in the second part of this chapter. To reduce bias and to bring contextualisation of the data to the forefront, the data was recorded as the events occurred (Hogg &



Vaughan, 1995). To supplement the observation data, documentary evidence and unstructured but themed interviews with network members, senior company personnel and members of significant overlapping networks were also used, in the main to obtain material on the backgrounds and external environments of the groups.

## **4.2 Case Studies**

As the purpose of the research agenda was to ascertain the particular and not to discover the general, the investigation of networked identities during conflict processes was conducted through the use of case study investigations, utilising two in-depth studies with comparable yet different forms of employee ownership. In this way, interpretation of the conflict processes would arrive via an understanding of the actions and interactions of the members of these networks. To ensure an accurate representation of the network characteristics and morphology, it was necessary to embark upon longitudinal studies of the case sites. The aim of this was to build up accounts of the ways in which the network members interacted with each other, particularly in conflict situations. In addition, it permitted an examination of the stability of the network relationships (Faust & Wasserman, 1994) and the robustness of the network identities.

The study focused on two work group networks, which were complementary in that they were both situated in employee buy-outs (ESOPs) of conventionally

owned companies. The case sites provided contrasting models of employee owned and controlled organisations in that the initial site was a micro-enterprise with just nine employees, which operated along personalised and informal lines. The second site was a hierarchical, unionised and large firm of over 2,500 employees. Both buy-outs had occurred a couple of years before the research took place. The lapse of time since conversion had allowed much of the initial euphoria of the buy-outs to dissipate and for employee ownership and control to become embedded, thus reducing any skewness of the data due to particularly atypical conditions.

### *Case Study One*

The initial research site was a small childcare ESOP in the West Midlands, NurseryCo. It employed five full time staff, and two part-time, plus a number of students on work placement from local colleges. All staff and students were female, local to the area with similar backgrounds and experiences of work. Three of the full-time and permanent staff were also employee owners, two of whom were founding members. At the time of the field research, two more of the full-time and permanent members of staff had been asked to consider becoming employee owners, one of whom had turned down the offer.

### *Case Study Two*

The second case study was conducted over six months in a large, employee-owned local bus company in the North of England, BusCo, among the union

representatives of the 'platform staff', or bus drivers. This group of employees was entirely male, of ages ranging from early twenties to mid sixties.

The rationale behind selecting two sites of differing contexts is based primarily on the consideration that there may be a threshold size of network for the harmonisation of relations (Gluckman, 1958) in employee-owned firms. The premise for this was to explore the expected different forms of conflict found in, first, small groups with personalised conflict relations, and secondly in a larger group where conflict would be largely formalised in established industrial relations structures. The initial case study presents a network of relations based on personalised and informal connections, the second case study meanwhile presents a highly formalised, ritualised, bureaucratic and hierarchical form of conflict relations. The informal and formalised relations in the two case sites allowed the investigation of the means by which both formal and informal conflict relations and group identities are influenced by conversion to employee ownership. A secondary consideration is that the first work-based network is entirely female, and the second entirely male. Feminist literature suggests that female groups are more likely to engage in less visible or overt forms of conflict, and that gender to some extent determines the 'repertoire of actions' available to individuals (Game and Pringle, 1984). However, it is the contention of this study that this conflict is less visible only to the more traditional, positivist methodological approaches to data collection. While the literature on workplace relations presents some analyses of gendered relationships (Crompton, 1997) on the whole it overlooks the gendered aspects of the relationships that build into conflict process. Therefore,

there is a need to examine the conflict and harmonisation relations within the case studies through a gendered perspective, using qualitative methodologies.

## **5. Gendered Access: Issues and Practice**

It is important to recognise that data collected using longitudinal observation methods, from case sites, is influenced by the response of the participants to the researcher and the researcher's response to the participants. Given the duration and intensity of the research relationship generated by using these methods, a certain subjectivity is inevitable. To reduce bias in the reporting of events these subjectivities must be acknowledged and explored.

### **5.1 Case Study One**

At NurseryCo, the matter of gendered access to data was not formally an overt consideration. However, covertly and informally access to the participants and their relationships was strongly gendered. Key access to the organisation was negotiated with the Chief Nursery Officer during an initial interview to discuss the purpose of the research. During the interview access was granted to work alongside the ESOP staff for two to three days each week for a duration of three to four months. While this access was not overtly gendered, covertly it was a highly gendered decision. In the first instance, the group was entirely female and employed no male staff. During the research it became clear that this was an unwritten and partly subconscious group policy. The group had interviewed males for nursery positions in the past, but none had been appointed because it was considered that they would not fit into the group (interview with 'Chief

Nursery Officer). As a female researcher this informal, covert policy was a significant key to unrestricted access to the group, it not only facilitated entry into the group but had a male researcher been involved it may have obstructed access.

### *Developing Rapport and Reciprocity*

Formally, the reciprocal nature of the research relationship meant that while the nursery provided research access for two days a week to work alongside nursery staff, this work was provided on a voluntary, unpaid basis. The second aspect of reciprocity was less visible and concerned the group's accepted norms of 'feminine' behaviour and dress. As a female researcher, certain properties were attributed to my character which accelerated my acceptance as a group participant. The reciprocal aspect of this developing research relationship was clear in the sort of behaviours the group expected of its members, and without which access to the members and to their relationships would have become curtailed. It was important therefore that these expected traits and group identity were carefully observed and maintained in order to facilitate the development of rapport with the research participants. Overtly, this involved appropriate dress incorporating anything that did not stand out from the norm, including no aggressive or revealing clothing. Make-up was either not worn or applied very lightly, and hairstyles were unfussy. It was also important to observe and adopt the group's work ethics, which involved ready participation in all activities and a willingness to act both autonomously and to take instructions, the criteria for employees being that they were "caring, enthusiastic and willing to do overtime" (Chief Nursery Officer). For some group members my presence remained completely unquestioned, and

their belief that I was a trainee nursery nurse only came to light a few months after the research had started.

### *Gendered Role Assignment*

From the outset I was allocated the implicit role of trainee nursery nurse by the group. By attending the nursery, unpaid, for a couple of days a week I was unintentionally mirroring exactly the commitments of a trainee and my actual position as a student in the town reinforced this role. The standard form of relations between members at work was very informal and friendly but not exceptionally close, and so was easy to adopt and as an outsider relatively quick to integrate. However, relationships were established solely along personal lines. I was very rarely asked about the research and more often this was never mentioned. Rather, the expected norm was to chat about out of work activities, especially boyfriends. Conversations about the organisation, politics or wider social issues were not brought into the relationships. Part of the informal, social based relationship between the members involved socialising together out of hours and the assumption of the group was that I would join them at the pub, nightclub and aerobics class.

There were many benefits in assuming the role the group had assigned to me. Principally, it meant that access to and acceptance by the group was immediate. In addition I was allowed to work alongside qualified staff and was treated as an unthreatening member of the group. I was allowed access to all areas and given the opportunity to work with all members of staff. In relation to the group's

concentration on an individual's life outwith work, my life experiences were similar to the rest of the group and therefore rapport was relatively easy to establish. This exposure to and acceptance by the group facilitated the ethnographic purposes of the fieldwork. Consequently, and crucially, access to the relationships among the group was reasonably unhindered as a result of my unthreatening position, which meant that the members treated me as one of their group and opened up to me.

However, acceptance of the role also brought with it problems. Principally, moving between the role of trainee and that of researcher proved problematical. For the purposes of participant observation the role assignment was extremely useful, however when extra information was required, acceptance by some staff of a move into the role of researcher was problematical. In the implicit role as a trainee or student I was seen as subordinate by some of the fully qualified staff, which to some extent hindered access to relationships within the core group. The role of trainee allocated me an unthreatening role within the group, because it placed me in a peripheral position within the group network. For example, the core group would occasionally retire to the office to discuss an issue or just to chat while doing the books, and these were moments and interactions the rest of the staff had no legitimate access to. On these occasions the decision to opt out of the role as trainee and into that of researcher was difficult – and ran the risk of endangering role coherence. As a result, data on these relationships was also gathered by interview and direct observation as well as participation. An additional problem was that I could not explain my research without endangering



my position within the group. Doing this would have set me apart from the other staff (i.e. outwith the group network), something I was eager to avoid in order to preserve my network position. If the group had perceived me as a threat, access to data which illuminated the underlying network dynamics of the group would have been curtailed. As a result of being unable to explain the research some information which may have been pertinent has probably been overlooked by the participants. However, as a result of developing rapport with the group, much information which otherwise would have remained implicit, and held within the group, has been exposed. However, while engaging in the role allocation given by the group allowed access to data, it followed that it also meant an additional position within the group network. Even though this new position was peripheral it still altered the form of that network by adding another member. This acceptance into the network facilitated data collection but also altered and biased the data collected.

## **5.2 Case Study Two**

The means by which the relationships with the key informants in the second case study were established was also a considerable influence on the type and form of data collected. From the outset, my access to and role within the group were entirely informal and this opened up access to a great deal of information on the informal relations among the key decision-makers within the network. Access to the network studied was non-traditional - through neither the union nor the

management (although informally both knew about the research) – but through the worker directors. My ‘gatekeepers’ to the network were the two platform staff worker directors, Dan and Chris, both seasoned union campaigners for different TGWU branches. Both were in their mid fifties, had worked as drivers for many years and were married with a son and daughter each. Both their daughters were married and Dan had two granddaughters while Chris’s daughter was expecting her first child. This non-traditional access had arisen through a meeting with Dan and Chris at an informal reception in London to launch ‘Employee Ownership Week’. The party representing the bus company comprised of four worker directors and various trade union representatives, but no management and it was Dan and Chris who assumed the responsibility of educating me about their company and its ESOP. During the event in London, business cards were exchanged and it was arranged that I would give them a call to set up a visit.

### *Developing Rapport and Reciprocity*

After the Employee Ownership Week event informal drinks were had where Dan and Chris invited me to join their table, made sure I was looked after and took a great deal of pleasure in showing me photographs of their children and grandchildren. A rapport had been established outwith the work environment at a relaxed social occasion where I was not considered a threat in any way, merely an item of curiosity. Reciprocally, neither did I consider them daunting or threatening. Therefore from the very first encounter our relationship was on an informal, personalised basis, and the worker directors were established as my main contacts within the company. Consequently, there was no need to ‘go in

cold' to the managing director with an anonymous letter requesting an interview as I had two allies willing to mediate for me and support my case. This meant that, as my key informants, Chris and Dan responded quickly to requests for information, and took it on themselves to arrange all my meetings and interviews. Management never officially sanctioned their help, it was on their own initiative and was a direct result of our informal relationship.

While Chris and Dan provided a lot of information and also organised my visits, something was expected in return. Formally, I was asked by the Managing Director to provide the company with a copy of any material I would write. In addition, there was an element of informal reciprocity that my informal relationship with the worker directors required. Just as they had provided me with information about their family situations and members, from the outset I was also expected to divulge information about my friends and family. In reciprocating, by asking after their families, I was reinforcing the informal nature of the relationship. The genesis of this reciprocity was the establishment of our relationships outside the work environment and thus they did not associate 'work' with my visits. These visits to the company were seen as a continuation of our first meeting in London. It was therefore important that I was prepared to treat these meetings as social events, as well as for work purposes. Consequently, it was also important that I observed what I wore to the company in order to create a competent but not overly formal impression to maintain the atmosphere of my visits.

## *Gendered Role Assignment*

From the outset, my key informants had made a number of assumptions about my identity and characteristics that were to inform and shape the level and type of access to the group and to their relationships that were granted. Dan and Chris transposed their interest in their daughters' lives onto mine – in effect I became a 'surrogate daughter' while I was at the company. This role arose spontaneously from them, as a result of my gender and age which had reminded them of their own daughters. Consequently, they wanted to know if I was 'courting', who he was, his job and whether we were going to get married. This was all asked with a mixture of teasing and concern, which explains part of the reason<sup>3</sup> why my interviews were chaperoned - they were treating me as they would have wanted their daughters treated.

This chaperoning behaviour ran from taxi-ing me to and from the train station at every visit, to timetabling interviews and buying me lunch. For example, on my first day at the company I was offered a lift to the firm's headquarters,<sup>4</sup> where it had been arranged that I would interview a number of senior managers. I was never left alone with an interviewee, one of the worker directors sat in on every interview. Lunch was then provided and I was taken a few miles down the road to one of the garages to interview another manager, where I was again chaperoned.

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<sup>3</sup> The chaperoning served another function, to monitor and control with whom I spoke.

<sup>4</sup> Later I met them in the more informal settings of their 'home' garages.

The assignment by Dan and Chris of this role and identity had its benefits and its problems. The benefits were numerous, the most straightforward being that I had access to all aspects of the company through the worker director's informal influence networks with both management and trade union. The worker directors were situated at the core of an informal network which encompassed both the formal management and union networks. They had direct informal access to all key decision-making personnel within the organisation. As the worker directors were members of neither formal network, management and union representatives tended to disassociate them from these formal roles. The advantage of a close association with the worker directors was that I was also not associated with either formal group and was therefore free to approach either without arousing their suspicions or defences. This meant that I was able to ask to speak to anyone and the worker directors would arrange it. Like the worker directors, I was perceived as a neutral player. My association with the worker directors also meant that I was seen as Chris and Dan's 'project' and so I came under their 'protection'. Due to their popularity and mobility within the company I was made welcome wherever I went. For example when neither Chris nor Dan could make it to a meeting they arranged for someone else to ferry me about and the informal chats during these journeys proved extremely useful for gaining a different perspective on the network processes. This 'friendship by association' was the cue for how the others participating in the negotiations related to me. This enabled me to conduct spontaneous interviews, often in the form of conversations, with a variety of informants. These took place in the canteen during tea or lunch breaks or on the way to the station, and in this respect who you stood next to in the dinner queue

was an important consideration. The one drawback was that as a non-smoker I had only restricted access to those who took cigarette breaks.

However, these quite considerable advantages of my access route into the company did not come without a price. The problems they engendered during the field study were not inconsiderable. The most overt issue concerned the matter of control over the research process. While at the company I was rarely in control of the field situation. The interviews, who I should interview and where, were arranged by the key informants and this had the effect of controlling the information I had access to. The supplementary problem associated with being on their premises and in their offices was that I also had to play by their rules to ensure continued access. I felt obliged to conform to the role they had allocated to me, and in this way they were controlling me. I could have refused to conform but this would have deeply upset them and thus alienated my key informants and, as my presence at the company was largely informal this could have terminated my access. It is important to note that in another situation this element of control could have been threatening, for example the expectation of sharing information about my friends and family (and theirs) could have been difficult. For the same reason, lifts to and from the train station in another situation might have been uncomfortable or inappropriate. In addition, because I was seen in a 'daughter role' I was not also seen as a 'professional' and on occasions this meant that I was not informed of some important forthcoming meetings.

Control also became an issue due to my informal status among the research participants. The informal nature of my status at the company meant that I had little control over the research process since I relied to a great extent on informal meetings and spontaneous interviews. Therefore, interaction was on the participants' grounds and to their agenda. While I knew for certain that I would be spending a day at a meeting, the information given informally during the breaks in the meetings was essential to make sense of the proceedings and what lay behind them. Introducing an informal aspect to the relationship with the research subject can however mean that the researcher is too close to the process being observed, resulting in questions over objectivity. For example, it was difficult not being able to react to criticisms of the worker directors. These criticisms were made in public within the meetings and informally to me during the breaks, with the intention that what was said would be taken back to the worker directors. In this I had become a pawn in the power struggle processes within the network and my additional presence in the network started to become an obstacle to the research by altering the process under observation.

While it was extremely useful to be situated, by proxy, in the centre of the company's informal influence network, it also meant that no snowballing of participants took place. This was because the network connections spanned out from the key informants like the spokes of a wheel. There were few cross-connections, making my position at the company fragile, and potentially problematic. This fragility became clear when one of the worker directors was de-selected. In this instance I lost all access to this worker director and his contacts.

Had I had only one key informant this would have been a serious problem, but as it was, the other worker director remained in position. However, the newly selected worker director held me at arm's length as a result of my association with his discredited predecessor.



## 6. Summary

The methodological dilemma associated with using a quantitatively based methodology with qualitative methods has been dealt with through a remodelling of social network analysis. This has incorporated a number of the structural measurement elements from established social network analysis and combined them with ethnographic methodologies to provide a phenomenological social network approach. While this approach concentrates on uncovering hidden network processes, it is also necessary to acknowledge the researcher's role in these processes. From a research process perspective, this reflexivity has included the many benefits of gendered role assignment, principally the establishment of informal relationships with the research participants which provided access to otherwise hidden information about their network process and underlying issues. There were however also a number of drawbacks, principally a loss of control over the research process. The type of access granted to a researcher by a firm therefore dictates to a significant extent the nature of the research experience.

# Chapter Four

## NurseryCo

### 1. Introduction

The first case study of this research, NurseryCo, a childcare nursery, was initially approached through contacts with the Coventry and Warwickshire Cooperative Development Agency. While NurseryCo was set up as an ESOP, it was run along the lines of a cooperative, with regular meetings of the staff to discuss company issues. As with most of the local contacts made through the Cooperative Development Agency, this was a small firm, with five full time staff, two part-timers and between three and four students on placement.

The first intention with this case study was to pilot the social network analysis methodology needed for this investigation and to use this site as a testing ground for the themes and connections that had been established from the literature analysis and development of the conceptual framework. Both traditional field notes and the network analysis sheets were used to record interactions between network members, both at task and at organisational level and in particular to note whose decisions and opinions took precedence in any specific group formation. Of particular note were incidents of hostility, conflict and tensions at work and their relation to employee ownership and control.<sup>1</sup>

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<sup>1</sup> See Chapter Three, page 118.

The in-depth participant observation technique employed in order to gain access to the underlying structural dynamics of the group involved spending most of the research time at the nursery in interactions with the staff and children in their care. By this method, it was possible to develop an understanding of how the nursery work was organised, and it also provided the opportunity to get to know the staff, thus facilitating acceptance into the workplace social network. Accordingly, I was allowed to work alongside the qualified staff and was treated both as an unthreatening equal and as a network insider or member. While this exposure to and acceptance by the group facilitated the ethnographic purposes of the fieldwork, it meant that the strict and exact coding of interactions required by the piloted methodology posed a problem. It proved problematic to bring out the field note sheets to record interactions while the people whose relationships were being observed were still in the vicinity. This would have made the research process and observation crudely overt and thus have set me apart as an outsider from the other staff, something which it was necessary to avoid in order to preserve my unthreatening position within the workplace social network. There was a real possibility that, had I been perceived as a threat by the network, access to the underlying network dynamics of the group would have been curtailed. Therefore, at first it was necessary to resort to frequent, brief trips into the upstairs office to code the interactions while they were still fresh in the memory. However, after a few weeks this became an obvious strain on my network position since it must have seemed, to the other staff, a rather odd behaviour. This became a crucial issue when, a few weeks into the research at NurseryCo, some money went missing from the upstairs office, and it became clear that, as a relatively new

network member and therefore still a peripheral member, continued access would only be maintained if I could make myself a less conspicuous outsider. Therefore, the decision was taken to write up the field notes in the evenings after a day in the field, and from these notes to code as many interactions as it was possible to recall. However, this method obviously involved a considerable amount of error and omission incompatible with the exact measurement requirements of the coded social network analysis methodology and, in conjunction with being unable to observe all the relationships within the group at once, it was eventually decided to abandon much of the coded data in favour of traditional ethnographic field notes.

This more traditional participant observation technique was to prove indispensable in identifying not only the positions of actors and subgroups in the network, but more crucially the network dynamics and the context of social interactions. While the coded data had provided information on the existence and direction of interactions, the broader field notes provided crucial information on the content and context of these interactions. Writing up the field notes from memory after a day in the field also facilitated a more interpretative and less descriptive approach to the data. This, alongside the original descriptive material, provided a broad flavour of the network dynamics. This more fluid and broad recording technique permitted a less deterministic approach to the network, and facilitated access to data on the underlying reasons why certain actors became the focus of conflict within the group, and crucially why the network members on the whole suppressed this conflict.

The main aim for Case Study One was therefore to establish whether conflict at work could be meaningfully analysed as a network phenomenon. The intentions were to examine not only obvious examples of conflict but also communications, collaboration, conformity, deviance and rivalry within the network. However, first it was necessary to identify the network. In order to permit an in-depth study of a network it was necessary to delimit the extent of the network and to this end the networks of interest for this study were bounded by the workplace and to those activities which involved the whole workforce. However, principal attention was given to those members involved in the control of the ESOP, i.e. the paid staff, both owners and non-owners, and less attention was paid to the unpaid students who were not involved in organisational decision-making. Being a small firm, and cooperatively organised, the network for this case study included all staff who worked within NurseryCo, both full and part time. While the network was limited by the boundaries of the firm, this did not mean that non work-related interactions between the network members would be excluded from the data. Care was therefore taken to extend the participant observation to out of work social occasions, such as the workforce Christmas dinner, after work trips to the pub, weekend fund-raising events and events hosted out of work hours on the nursery premises (such as Employee Ownership Week). The imposed boundary for the network did however mean that those social relationships between NurseryCo staff and their other friends and family were excluded from the analysis, since there was both limited possibility of access and also because these relationships did not involve interactions among the network members.

## 2. Rationale for Employee Ownership and Control

The NurseryCo ESOP was established in 1992, as a direct result of the previous owners' decision to move out of the childcare industry. The original owners<sup>2</sup> had established the nursery primarily as a profit making enterprise, with one of the founders providing the main financial backing. The owners of the nursery themselves had had no formal childcare qualifications and took no part in the actual childcare responsibilities; thus, they provided the capital and were entirely business administrators, overseeing but not participating in the day-to-day running of the nursery. Two years into the enterprise, NurseryCo had been performing well, however, subsequent years saw a decline in profits and this, coupled with a family redundancy, made the original owners decide to sell the business. At this point one of the founders contacted the local Cooperative Development Agency (CDA) and invited them to the nursery to talk to the staff about becoming a cooperative. However, until the CDA representative arrived, the employees had "no idea that they were thinking along those lines" (Gill). Yet in the end, the aid of the CDA was invaluable to the group in putting together business plans to raise capital for the buy-out, and in establishing what form of common ownership the group required. In the end, the group decided upon a non-profit making ESOP form, with the existing employees making up the four shareowners - three Directors (Gill, Dot and Tracey) and one member (Jeanette). Prior to this move, the employees at NurseryCo had had no experience of owning or running their own business. While they were all employed to look after the children in their care, only some of the employees were trained nursery nurses (some with more

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<sup>2</sup> The original owners were two local businesswomen.

experience), while the rest of the staff had no formal childcare training. However, this initial group included all the positions needed to run a viable, legal childcare nursery. Gill, by joint agreement, became the Managing Director of NurseryCo since she had been in charge of the day-to-day organisation of the nursery under the previous ownership and management. The ESOP was finally established on 4<sup>th</sup> August 1992. After the buy-out, the Cooperative Development Agency continued to help the group develop the necessary administrative skills, such as bookkeeping.

## **2.1 Attitudes to Conflict at NurseryCo**

The employees at NurseryCo reported that they had had few affective ties to their previous employers, partly resulting from their absentee-management style, and partly due to the owners' autocratic management methods. The employees also reported that there had been a certain amount of tension and disharmony between the owners and the employees, which had made their working lives uncomfortable. Consequently, when the owners decided to quit the childcare industry and sell the business, the employees felt that another non-worker owner would only be likely to replicate the tensions between employer and staff. This opinion was informed not only by their experience at NurseryCo, but also by their wider work experiences in other childcare establishments, where this pattern of owner/worker tensions was reported as prevalent throughout the industry. Therefore, the decision to buy the company themselves was brought about by their desires to permanently remove tensions and conflict from the workplace,

facilitated by the circumstances in which they found themselves. Consequently, the move to buy the company was driven by their desire to control their own work experiences, create a harmonious working environment, and not to rely on the benevolence, or otherwise, of an absentee owner. As such, job satisfaction, harmony at work, and control were important motivational factors in the employees' buy-out decision.

These expectations of employee ownership can be directly associated with, and traced back to, the literature that promises harmonisation through greater employee control over work and organisational decisions. However, of greatest interest is the expectation by the NurseryCo staff that employee ownership would remove *entirely* the tensions they had experienced in their jobs, not just at NurseryCo but in their previous work experiences, i.e. that employee ownership and control could overturn the industry trend of disharmony at work. The expectation was that through removing the external source of tension, i.e. the non-worker owners, the remaining employee-owners would be able to run the business and the childcare aspects without any animosity, hostility or tensions. They appeared to have good reason to expect this outcome, having all worked together for a number of years at NurseryCo under the previous regime without any hostility breaking out between the members of the work group. However, replacement of the original non-worker owners with yet another set of non-worker owners was obviously not sufficient for the staff. For the employees it was therefore not a simple matter of personalities, rather, subconsciously, it was a matter of work structures and controls. To remove the possibilities of replicating what they saw as the structural source of tension within the workplace, it was



necessary for them to control their work structures, and to do this they had to own and control the company.

The decision to attempt to buy the company had not been taken lightly by the group; in fact it was by all accounts a step taken reluctantly. However, the group felt that, while they had disliked the hostilities with the previous owners to a great extent, they had enjoyed working together as a group and so buying the company was what they had to do to preserve this. Gill reported that the ESOP form was chosen since, on the one hand, it had enabled them to raise the money required, but also crucially because the group supported the ethics of cooperation, which to their minds equated to working with no "outside" people, the removal of outsiders being associated with the removal of tensions and conflict from the work environment.

Apart from the new form of ownership, the group ran the nursery on a day-to-day basis as previously, since the work hierarchy was set in place by legislation. As the group had been "left much to our own devices" (Dot) under the previous ownership, they were used to organising their own work time. The managerial responsibilities fell, as they had done before, to the most senior nursery nurse, Gill, therefore the day-to-day running of the nursery suffered no changes with the change in ownership. However, with the establishment of the ESOP, the employee owners had shared the administrative burden, and decision-making at NurseryCo had changed somewhat with the group instigating a monthly meeting to discuss business matters.

## **2.2 Structural Changes at NurseryCo ESOP**

The employees had therefore achieved their main buy-out expectation, to run the business as a group without any outside interference. However, by the time this fieldwork was conducted at NurseryCo, there had been a few changes in personnel since the employee buy-out, which had taken place four years previously. Two of the ESOP Directors were still at NurseryCo, the senior nursery officer, Gill, was still in position, as was the nursery assistant Dot, whose ESOP responsibility was to keep the company books. However, the two other original members, Jeanette and Tracey, had left the company within a year of its conversion into an ESOP.

The first to leave, Jeanette, left because, shortly after the buy-out, the business began suffering financially and a job had to be lost. This situation arose, according to Gill, because the founding owners had “run the business down while the coop was waiting for funding”. With no personal financial stake in the ESOP, losing a member was reportedly relatively simple to achieve. As a non-director, Jeanette was voted out by the other three, partly because as an unqualified carer she was seen as the most disposable. However, Dot was also unqualified, but the three ESOP Directors felt it would be more difficult to get rid of a Director than a member. While this was reported by the remaining two founders as a relatively painless episode with no associated conflict, doubts must be raised over the lack of conflict admitted during the process of removing one of the founding owners. The indication from the evidence of the remaining founders was that a clique of Directors had developed who protected their own positions, at the expense of

Jeanette. The evidence that the matter was resolved by vote and not by consensus also suggests reluctance on the part of the departing owner to leave her post.

The second to leave, Tracey, left NurseryCo not long after this. Gill and Dot related that her decision to leave was a direct result of the employee buy-out, which had made her uncomfortable with the amount of extra responsibility she then had to shoulder as a company owner. She left to take up a position as a nursery nurse in another, conventionally organised nursery. Again, this was reported without reference to tensions or disharmony within the network, yet for Tracey, employee ownership and control had obviously not delivered the type of work environment she had anticipated or was comfortable with. Her decision had been to withdraw not from the childcare industry, but specifically from the NurseryCo network, suggesting some unease or disquiet with the ESOP structural arrangements.

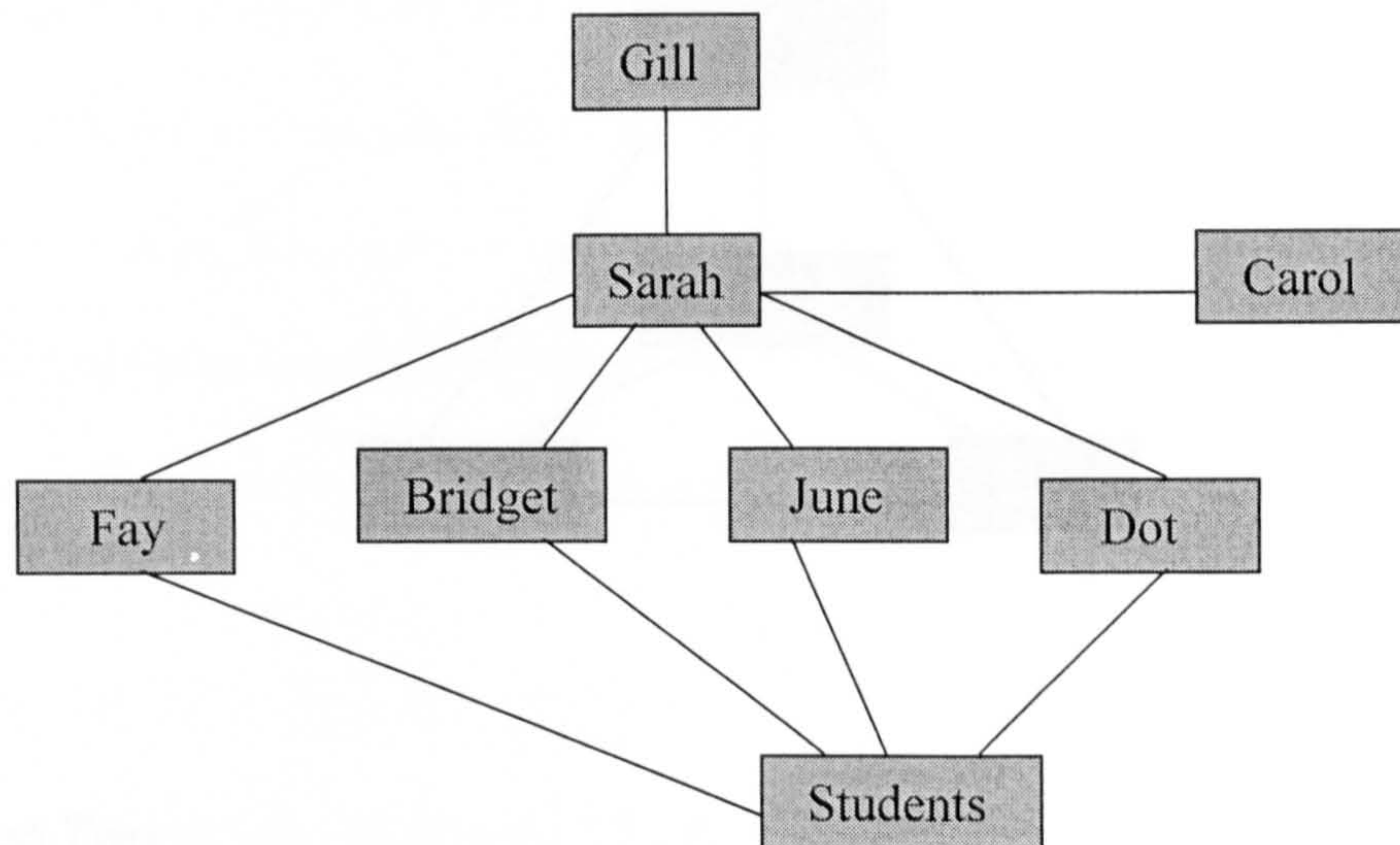
Just one new ESOP member, Sarah, replaced these original two within a year of the ESOP formation, thereby bringing the number of ESOP Directors (and company owners) back up to three. It is significant, given the losses of personnel in the first year, that since taking on Sarah as a new member, no new members had been incorporated and that since the inception of the ESOP, the employee-owners had employed non-owner staff to help them run the nursery. With just three ESOP members, the group was under a legal requirement to employ more staff to comply with the amount of supervision required per child in their care. Of the non-owner employees, June and Bridget were trained nursery nurses, and Fay, while not officially trained, had worked in NurseryCo since she was thirteen.

While none of these new staff were, at the time of the fieldwork, ESOP members, disaffection with conflictual working environments had prompted the majority of the newer employees to approach NurseryCo in the belief that the ESOP could offer a more harmonious working experience. In addition to the non-owner employees, the nursery also employed a number of nursery nurse students as part of their training, and also a cook, Carol. The age structure of the group was fairly mixed, Dot and Carol were the eldest (mid fifties and early forties respectively) and both had grown up children, while June and Gill were in their thirties with no children. Fay and Bridget were much younger, both being nineteen, and the students were younger still, around sixteen.

### **2.3 Social Networks**

The NurseryCo formal network can be classified as a concentrated interaction network (Figure 4.1). This network pattern was a result of the legislative requirements for childcare, which specified a strict hierarchical structure,

Figure 4.1 Formal NurseryCo Network

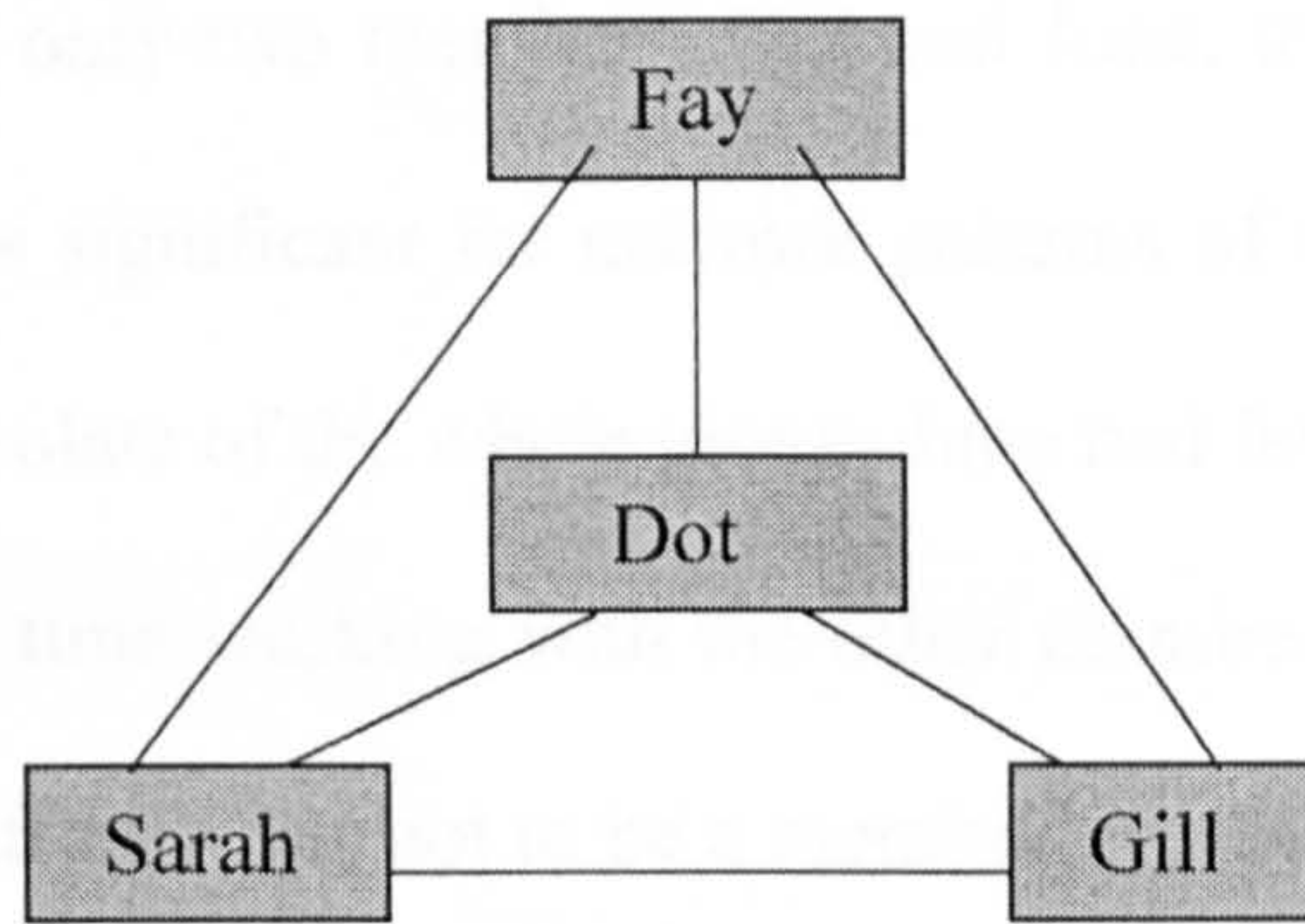


However, within the NurseryCo informal network, there were a number of significant subgroups or cliques.

### *Subgroup One*

The first subgroup (Figure 4.2) comprised the three employee-owner ESOP directors (Gill, Dot and Sarah) and Fay, a longstanding but a non-owner employee. This subgroup was mainly work-based, and was reinforced through the taking of shared decisions about the nursery, such as large acquisitions or bookkeeping. While all group members were linked through work associations, given the nature of the job they had to work directly together and thus this subgroup of four members was a distinct and cohesive grouping,

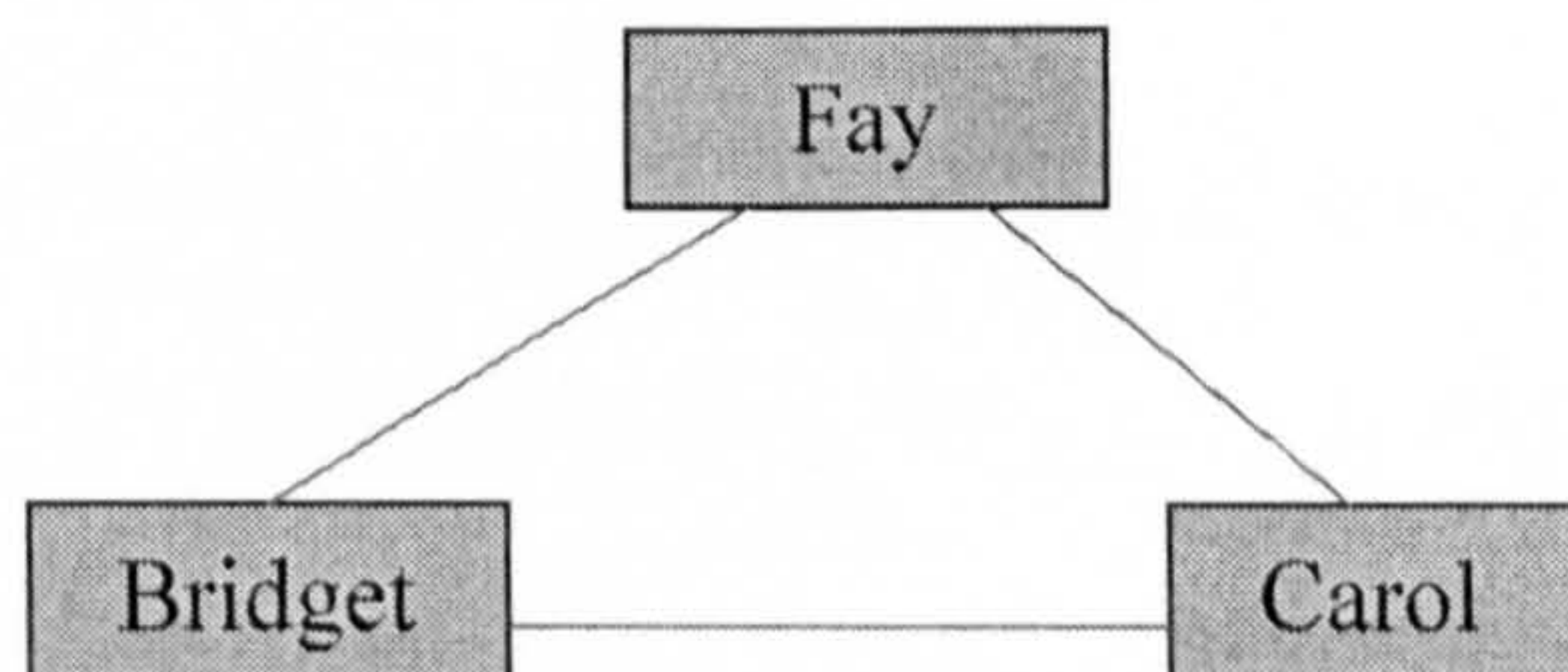
Figure 4.2 NurseryCo Subgroup One



*Subgroup Two*

The other main subgrouping within the network consisted of Fay, Bridget and Carol (Figure 4.3). This subgrouping was made up entirely of non-owner employees. This subgroup excluded the three employee-owner ESOP directors and comprised all of the non-owner staff, with the notable exception of June. This clique was based on and reinforced through close social links out of work – most often the members would meet up for a drink or a video.

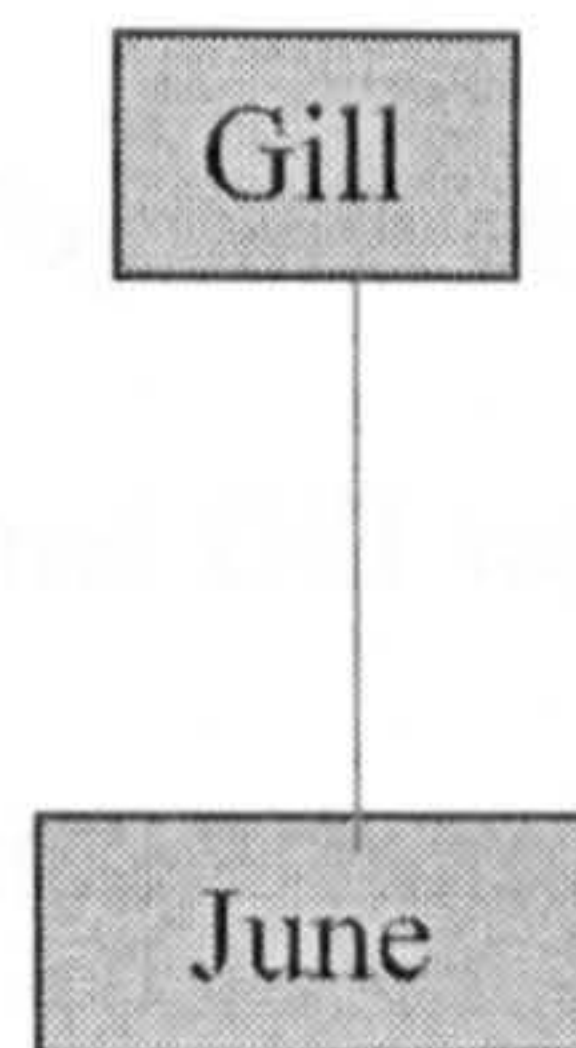
Figure 4.3 NurseryCo Subgroup Two



### Subgroup Three

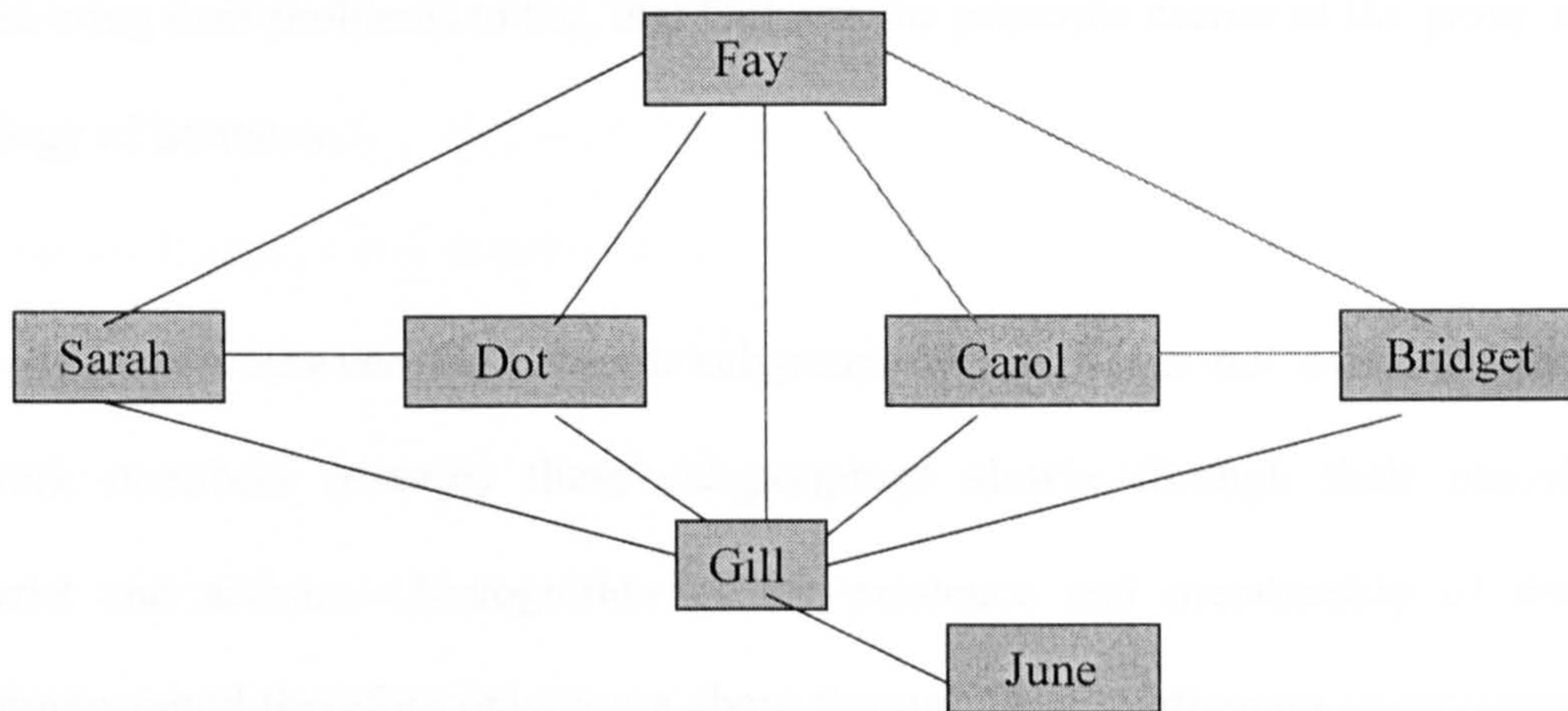
The final subgroup (Figure 4.4) was also apparent from its member's out of work associations. Comprising only two members, Gill and June, this was the smallest of the cliques, but no less significant for network patterns of conflict for all that. It is clear that being the isolate of the whole group, June had fewer exchanges with the others and spent less time working with the other members. In addition, she was the only full time staff member not to be a member of either subgroups one or two.

Figure 4.4 NurseryCo Subgroup Three



The full sociogram (Figure 4.5) of the group's strong positive links therefore looked as follows:

Figure 4.5 NurseryCo Relationships Network



It is clear from this representation of the network that, while Gill was the central actor in the NurseryCo network, Fay was also an important member, active in both subgroups one and two. Fay and Gill were therefore both situated in central network positions, having the greatest number of direct links to other group members. At the other end of the scale, June was the most isolated network member, having only one positive and direct link. However, this link was to the network member with both formal and informal influence, the nursery manager, Gill. Therefore, June's position and status within the group was secure for as long as her relationship with Gill remained. However, if Gill were to leave the group, Fay's strong network position could have a deciding influence on June's security. It is interesting that in a pure network sense, Fay – not an employee-owner – was an influential network player, having five direct links, only excluding June. The members of the primary clique, subgroup one, had at least three direct links apiece, while the members of the subgroup two had at least two direct positive links. However, Fay was not the most influential network member, this fell to



Gill, who worked hard to maintain positive links with all group members. It was clear from her concerted efforts at harmony, and from the fact that other members would bring their problems to her, that Gill was the principle carrier of the group's ideology of harmony.

The distinction between the network subgroups was however not overt and the network members revealed these subgroupings slowly through their casual remarks and actions. Recognition of the existence and membership of the subgroups could therefore only come about through close participant observation of the network. For example, on occasion I was making cups of tea for the whole group and asked Dot what people drank, she replied that "everyone has tea with two sugars". In fact, of the whole network only Dot, Fay and Sarah (Gill was away) drank their tea like this, therefore the boundaries of Dot's 'everyone' for that occasion actually consisted of subgroup one.

## **2.4 Non-Owner Recruitment**

Given the localised nature of the work, NurseryCo recruited only from the surrounding area and this recruitment occurred on both formal and informal levels. Formal recruitment involved placing adverts in the local papers and the local job centre, and contacting the local college for recently qualified nursery nurses. NurseryCo's student trainees came from this local college. However, in practice informal networks were the more significant instruments in finding new staff. It was clear that permanent recruitment into the group, and thus into work at

the nursery, was achieved through member's existing and extended social networks. New recruits had therefore often been found by word of mouth and were either friends of employees or linked to existing staff through a network of friends. For example, Fay and Bridget had been at school together and consequently Bridget had approached NurseryCo because she knew of a vacancy through her contacts with Fay. These informal network means of recruitment were not surprising given NurseryCo's local recruitment approach. In addition, the criteria for new employees were that they were "caring, enthusiastic and willing to do overtime" (Gill). The recruitment process involved the selection of a new employee by Gill, with the other network members voting with her choice. On the one occasion that Gill was outvoted, she reported that while the new employee was engaged, this "was a disaster" and the new recruit was soon sacked. Following this, the other members had approached Gill and reputedly said, "they'd think twice about outvoting me again!".

## **2.5 New Recruits' Expectations**

While social networks were an important mechanism in the recruitment of new employees, these new non-owner employees claimed that the principal reason for joining NurseryCo was the reported harmonious working atmosphere – a consequence of its ownership structure.

One of the most telling comments was made by one of the full time nursery nurses, June, who accounted for her recruitment into NurseryCo, nine months

before the field research started, as “it’s not what you know but who you know”. June, originally from a neighbouring town, had trained as a nanny and worked away from the local area. When she returned, to work in another nursery run by the same people who had owned NurseryCo, these owners suggested that she contacted Gill to learn more about working in a nursery. Since then, June and Gill had become friends and often saw each other socially. By the time NurseryCo became an ESOP, June was unhappy with the antagonistic and unfriendly work environment in the other nursery and mentioned this to Gill when she next saw her. Three days later, Gill offered her a job at NurseryCo.

Sarah’s position at NurseryCo had also been arrived at through extended social networks. Before taking a position at NurseryCo she had worked in a nursery in another part of the city, but was also disaffected with the work environment where she was working. She mentioned this to the social services inspector of nurseries, and asked her to keep her eyes open for any openings in other nurseries. The inspector mentioned this to Gill, who was looking for staff, and Sarah went over “for a chat”, with the result that she was offered a job, employee-ownership and a directorship of the ESOP.

Furthermore, the nursery’s cook, Carol, was also recruited through a friendship network. She had no formal catering training, but was friends with the woman who used to do the cooking at NurseryCo. When this friend became pregnant and gave up her job, she suggested that Carol “gave it a try”. Consequently, Carol was now working on a permanent, part-time basis at NurseryCo. Like the other staff,

she was attracted to NurseryCo by the working environment because “it isn’t one of those places where everyone is bitching”.

The maintenance of a harmonious working environment had therefore been a major influence in the founders’ decision to buy the company, and in the decisions of more recent recruits to take up employment at NurseryCo. Both the original founders of the ESOP and the newer non-owner employees had all been disillusioned with their previous work experiences and had all come to NurseryCo with the expectation that the ESOP structure would provide them with a more friendly, less antagonistic working environment. They had all also invested in coming to NurseryCo, by either risking their livelihood on the venture, as the founders had done, or by giving up employment elsewhere. It is notable that none of the NurseryCo staff had been recruited from the unemployed, but had all voluntarily come to NurseryCo to achieve a goal other nurseries were denying them – a happy, harmonious working climate. It was obviously not the job itself that had disillusioned them, otherwise they would not have been looking for alternative childcare employment, but the social climate within other nurseries.

### 3. Reported Harmony

The crucial test, however, of the ESOP's ability to generate a more harmonious working environment for the NurseryCo employees and owners was whether the structural changes associated with employee ownership and control had actually brought about the removal of tensions within the workplace.

Gill, as the most senior member of staff, operated as the team leader and spokesperson for the group and therefore fulfilled the role of key informant for the research. The accepted story or mythology at NurseryCo, as reported by Gill, was that in contrast to the former regime at NurseryCo, working relations at the nursery as a result of the employee buy-out were now decidedly and robustly harmonious. When asked to explain how and why this had come about, this was accounted for first by the "friendly working atmosphere", and secondly because at that time there was no need for job losses. Notably, the reported harmony at NurseryCo was very much in evidence on initial investigation, and there was evidence of much laughing and joking among the group and relations, on the surface at least, appeared relaxed and supportive. The team would also socialise together after work, occasionally as a whole group but more commonly in smaller groups of two or three.

While the level of reported unitarism within the group was high, given that all network members had the same ideology and goal of a harmonious working environment, claims made for unanimity were another issue. The group leader, Gill, reported that an important aspect of the harmony at NurseryCo was the

unanimity within the group, principally that nursery decisions were taken on a consensus basis. Such consensus appeared to be an important claim for the group, especially as decision-making included monthly group meetings (established at the time of the buy-out) and the new, non-owner employees also had a right to attend and vote. However, the ideology of harmony meant that the group claimed that voting was never used and all decisions were taken by consensus. The group was therefore claiming that common values meant that there were no substantive disagreements within the team.

## 4. The Evidence for Conflict

The research however suggested that while harmony was apparent, other more permanent aspects of conflict had not been eradicated by the employee buy-out. A re-examination of the evidence of relations between group members and the accepted story of harmonious relations, presents the evidence from NurseryCo in a different light. Contrary to expectations and public image, conflict had continued to exist within the group and while this conflict at first appeared to be related to disagreements over work issues, further participant observation revealed that network-related interpersonal conflicts were an integral part of the picture.

It was apparent very early on in the research that the picture of a harmonious working environment that had been painted by the group was not an entirely true representation. While harmony was the overall impression given by the group, and was certainly apparent between certain network members, within the network as a whole harmony was by and large a surface construct. While some of this conflict took the form of overt disagreements, most took the form of suppressed conflict. Disagreements regularly arose between group members, and these tensions frequently had to be dealt with by forms of conflict avoidance and suppression.

## 4.1 Direct Conflict within the Group

Despite the group's claims to the contrary, direct, i.e. face to face, and open conflict *was* evident within the team. This type of conflict was largely confined to work-control and forms of conflict relating to matters of staff hierarchy. As such, overt conflict was related to day-to-day tasks involving the running and control of the nursery, which the ESOP had left largely unchanged. For example, the students would on occasion receive a direct reprimand from the permanent staff, notably Sarah as Deputy Officer in Charge. However, as these students only attended the nursery one day a week, and then only for a few weeks duration, they could be classed as exceptionally peripheral and temporary members of the nursery team. Therefore, if group members engaged in direct conflict with students, the student's peripheral network position would mean that this could do little to influence or harm the harmonious relations within the core group. In this way, direct conflict between an employee and a student did not endanger the group goals.

However, direct and overt conflict was also an observable, but rare, event between group members themselves. On one occasion, Sarah (a company Director and employee-owner) had gone into the playground where June (a non-owner employee) was supervising the children. As June picked up a little boy, Sarah with strong criticism in her voice, told her not to pick up the children since she would not have been able to go quickly to any other child that fell over. The tone of this communication clearly indicated a direct conflict relationship. June



however, did not retort with direct or overt conflict, and waited until Sarah had left before turning and saying angrily “that annoys the hell out of me!”.

The situations of direct and overt conflict could therefore be said to arise through the need to monitor and control the work of subordinate members of staff. Significantly, direct and overt conflict was never observed between employees of the same network status. However, it is notable that direct and overt conflict was used to deal with such day-to-day control issues, when a more equal or harmonious approach was conceivable. While there was evidence of conflict between the employee-owner, Sarah, and some subordinate members of staff, the other employee-owners, Gill and Dot, did not utilise this form of control in the workplace. It is important to note, that this form of overt conflict largely occurred between the employee-owner Sarah and other members of staff, since Sarah held a dual position of power within the hierarchy – as an ESOP owner and as the Deputy Officer in Charge. Significantly, direct and overt conflict was never observed between the group of ESOP employee-owners. Therefore, conflict relations cannot be said to be simply situated between the founding members and newer employees. The genesis of direct and overt conflict therefore also lies elsewhere within the network.

In such instances of direct and overt conflict, the conflict exchange was overtly work-related with, significantly, no overt personal content to the conflict. Notably, however, the individual on the receiving end could not easily respond to this task criticism with equal force, since they were both ‘in the wrong’ and, in relation to the formal staff hierarchy network, less influential. Due to the lack of

direct, overt responses from those on the receiving end of this form of conflict, task-related conflicts could occur within the group without escalating or adversely affecting the group's self-image and surface construct of a harmonious whole.

## **4.2 Suppressed Conflict**

While openly expressed conflicts between network members would have run the risk of endangering the group's goals of harmony and friendship (through the risk of overt conflict escalation), it was notable that face to face yet suppressed conflict between group members *did* frequently occur. This form of conflict occurred regularly between network members of similar status positions. However, since the disagreements occurred between similarly ranked employees, direct and overt conflict exchanges could not be used. The employees therefore, to preserve the group image of harmony, had to find alternative means of expressing their criticisms of and to their workmates. This suppression occurred in both direct and indirect conflict forms.

## **4.3 Suppressed Direct Conflict**

One of the main recurring daily activities of the nursery timetable was 'circle time', where the children sat down on the carpet to either sing or watch television under the supervision of one primary member of staff. The general daily pattern was to watch television during the morning circle time and to sing songs with the

children in the afternoon. Divergence from this routine could and did occasion suppressed, direct conflict between various network members. Early on in the research, June, a full-time nursery nurse, was supervising the afternoon circle time. Fay, a younger but longer serving staff member (and therefore of comparable status within the network), was sitting on the carpet with the children, with her back to June. June decided that she wanted the children to watch the television (a divergence from the accepted routine) and asked one of the older children, Adam, to turn the set on. However, Fay, without turning round, ordered Adam to turn the television off. Adam ignored her, and at this Fay complained loudly that she didn't like having the television on and wanted to do some singing. June didn't acknowledge or respond in any way to Fay, who had said all of this without turning round to look at June. The result of this terse exchange was that the television was left on and Fay stood up and left the area. When the programme was over, June told the children that Fay had wanted to do some singing with them but had "gone away".

These episodes of disagreement and tension were revealing for what they disclosed about the mechanisms and norms established and used within the group to suppress conflict. The first point to highlight is the depersonalisation of the conflict through the use of body language. During the 'circle time' disagreement, direct conflict between the two women was avoided by Fay's refusal to look at or even face June while targeting direct criticism at her. The second issue is the public nature of the hostility, which both women knew could not be escalated in order to maintain the appearance of a harmonious working environment. Finally, through withdrawing from the exchange by leaving the area, Fay in effect broke

off the interaction and thus avoided any further conflict possibilities. The individuals involved therefore did not allow their disagreements or hostilities to escalate into open conflict and made use of a number of conflict suppression techniques to retain the impression of network consensus. Since the ethos of the NurseryCo ESOP was the production of a harmonious working environment, in these instances the conflicts had to be suppressed in order to maintain the collective network identity of unanimity and consensus.

#### **4.4 Conflict Avoidance**

The behavioural norms of dealing with potential conflicts within the network also took other forms, both direct and indirect. To avoid tensions becoming public disagreements between individuals, conflict suppression was also experienced on a much more subtle level in the form of conflict avoidance. This took the form of teasing or joking when a situation became tension laden. This type of conflict suppression was more likely to occur between network members who had established strong informal interpersonal links with the other co-worker involved. Consequently, the form of conflict suppression or avoidance used was a direct product of network form and pattern. Conflict suppression was more likely to occur between network members with similar formal status, whose network links were less direct, whereas conflict avoidance tended to take place between network members, not necessarily of similar formal status, but who exhibited close informal network ties, i.e. members of sub-groups or cliques within the network.

Group members with strong network links frequently used these subtle measures to express dissatisfaction while avoiding open confrontation. Dot on one occasion teasingly scolded Gill for leaving a scrubbing brush, which she had used to clean out the fish tank, on a kitchen surface. Teasing was also used to present intentions in such a way that could not provoke conflict. For example, in the initial stages of the research with the NurseryCo network, Dot had asked me to make a pot of tea for the group, to which June had added, in a joking tone, that “when someone asks they are really telling”.

On another occasion, Sarah had asked Bridget to do her “a favour” and do the washing. To which Bridget replied “sorry I was gassing”, indicating that she was aware that Sarah was to some extent annoyed with her. To restore harmonious relations, Sarah teasingly replied that “you come here to work you know!” and both women cemented the relationship by laughing. Yet another illustration was the occasion in the second week of fieldwork, when Bridget had asked for help her fill the water tub. In the middle of this she was called away to deliver cups of tea to the other staff, and so June also began to fill the playtub. However, when Bridget returned she joked that she was no longer needed because her job had been taken over. Subtle tones in her voice, underlying her joking manner, indicated that she was telling the other staff to let her get on with the job.

The teasing mechanism for dealing with conflict could however be placed under strain and was occasionally strongly tested, such as during an argument over the children’s safety around a playtub of water which involved a disagreement between the closely linked network members Bridget and Fay. Bridget had been

supervising the activity when Fay arrived and started to move some tables away from the tub, thereby interfering with Bridget's autonomy. Bridget asked her why she had moved the tables, to which Fay replied that it was because the area "wasn't safe" and added that she "thought about these things", which Bridget looked taken aback by. At this point, Fay realised that the situation was becoming overtly hostile and difficult, and rescued her relationship with Bridget by emphasising that what she had said was meant as a joke. This seemed to calm the situation, but here the interaction ended as Bridget moved away from the area and left Fay to supervise the children. This is a clear illustration of how network members avoided an escalating conflict through the multiple use of mechanisms; both teasing by making the criticism a joke, and withdrawal from the exchange. It is important to note here that Bridget and Fay were members of subgroup two within the network, had been at school together and had grown up together. They were also of a similar status within the network, for while Fay had worked at the nursery for much longer, Bridget was a qualified nursery nurse.

Notably, teasing was only used to reinforce relationships between the permanent group members, and not between the staff and students. As mentioned above, staff dealt with students by means of direct, open conflict. Teasing was therefore an important method used by close group members to reinforce their harmonious relationships, while at the same time making light of disagreements and thus avoiding interpersonal conflicts. Through this approach, the group also maintained the appearance of consensus. In these examples, the NurseryCo staff were responding to *potential* conflict situations by dealing *directly* with the other

actor(s) in the relationship. However, on these occasions they were not engaging in direct overt conflict, but direct conflict avoidance.

#### **4.5 Indirect Conflict**

Indirect conflict was yet another means of avoiding face to face, overt conflicts between group members. This means of maintaining group harmony usually took the form of two or more employees, with close informal links, complaining about or criticising a third party's actions. In this manner, conflict was voiced in a 'safe' environment, but not directly to the object of the conflict. This therefore qualified as indirect conflict expression.

The incident of direct overt conflict expression from Sarah to June in the playground (cited in section 4.1) also illustrated indirect conflict expression. Notably, June's response to Sarah's criticisms was in the form of indirect conflict expression. Her response was indirect in that while she did give voice to her feelings of tension, she did so to me, as the only other adult in the playground, and not to Sarah. The overall result of June's actions was therefore to prevent the escalation of the overt conflict relationship with Sarah. This could also be explained by June's formal network position relative to Sarah, an employee-owner and deputy officer in charge of the nursery. Sarah was therefore June's superior and her employer. June was also a significant isolate in the informal network relations – with only the one close informal link to Gill.

On another such occasion a lack of communication spilled over into indirect conflict between June and Bridget. The incident had taken place in the nursery the previous day when, at around 5.20pm Bridget had decided, apparently without asked the others, to give the children some cake. June was upset about this because she had been due to finish work at 5.30pm and had to stay around for a little longer. In this instance, conflict was suppressed by June's subsequent non-communication with Bridget. However, June vented her anger in retelling the incident to me the next day, therefore exhibiting indirect conflict. Later that day June again exhibited indirect conflict by complaining to me about Bridget, who "hadn't bothered to ask" June what activities the children had already completed. The involvement of the researcher in these incidents of indirect conflict expression should be considered at this point, yet despite the possible bias introduced by the presence of an outsider in the midst of the network, this form of conflict avoidance was not only used by June, but was also used by others to avoid direct conflicts. For example, Dot was observed using indirect conflict to displace her tensions with June. In this instance, Dot, while June was supervising the toilets, chose to criticise June's actions to Sarah, saying, "she's just standing there like this", putting her hands on her hips in imitation of June. She needed to repeat this twice to Sarah to get a response. In this way, Dot depersonalised her comments about June by addressing them indirectly, and thus maintained the façade of harmony. Later in the day, again with Sarah, Dot once more indulged in indirect conflict directed at June, when she criticised her ability to follow driving directions. When June returned she explained to me that Dot and herself knew the roads by different names and explained the problem as "getting confused".



## **5. Conflict and Network Structure**

It is clear from these accounts of conflict within the network, that network form and pattern played a significant role in the types of conflict expression used within the NurseryCo network. Direct, overt conflict was largely a product of the unequal distribution of formal network influence between network members. In this respect, the possibilities for overt conflict escalation were removed through the subordinate network member's inability to respond in a likewise fashion. Suppressed conflict on the other hand only occurred between network members of relatively equal formal status and was used to protect the collective network goal of a harmonious working environment. Conflict avoidance was principally used among network members with close informal network links, and not necessarily of similar formal network status. Finally, indirect conflict was only observed between the most peripheral member of the workplace informal network, June, and some of the other network members.

### **5.1 Halloween Preparations**

By the second month of the fieldwork, the nursery was entering into preparations for both Halloween and the Hindu festival of Diwali. June in particular, was feeling tense because she had "been told" to make the Halloween preparations, while Bridget and Fay were planning for Diwali together.

During one lunch break, as Fay and Bridget discussed their plans for Diwali, they interjected exchanges of social news. Although Bridget and Fay's discussion was conducted over lunch in a crowded room, and was therefore public, the presence of others annoyed Bridget who attempted to make their discussion private in two ways. First, she made the discussion explicitly exclusive by turning her back to the others and by then turning round and provocatively enquiring, "are you all happy eavesdropping?". Bridget's body language was therefore exclusionary, sitting as she was with her back to the rest of the room. However, despite this June attempted to put her views forward to Bridget and Fay. In response, Fay replied directly to June, making eye contact. However, Bridget refused to acknowledge her presence or to face June (although Bridget was sitting no more than two feet away), and communicated her answers to Fay who then repeated them to June. During this brief exchange the situation was extremely tense, however Fay did not appear to find this situation difficult, suggesting that she was either used to or willing to go along with this means of dealing with the tension between June and Bridget. Following this short-lived, indirect conflict exchange, June quietly withdrew from the discussion and left the room. Later, she expressed her dissatisfaction with the discussion to me, feeling that her attempts to comment on her Halloween preparations had been ignored.

The theme of conflict surrounding relationships with June was emphasised later that day when further indirect but overt conflict became clear over the Halloween preparations. Fay, Carol and Gill were in the nursery kitchen, where Fay was expressing severe criticism of June's Halloween preparations. Although Fay was not directly involved in the preparations, she complained to Gill that June hadn't

organised anything for the Halloween celebrations and expressed her opinion that June was being “a dippy cow”. In response, Gill suggested to Carol and Fay that they “don’t suggest everything – you know”, adding with a smile, “we’ll see how it goes”, thus managing to diffuse the conflict situation. However, the next day Fay took her criticisms of June to Sarah, joking that June had thought pumpkin pie was a savoury dish. Again, these criticisms received some support from Sarah, but it was a muted agreement - to reply equally forcefully would have risked escalation of the conflict, beyond the group’s acceptable levels. In this instance, the tension was generated by June’s perceived unwillingness to conform to expected work norms, i.e. to take on autonomous responsibilities. Although the complaint was taken to two ESOP employee-owner directors, the tension between Fay and June could not be resolved in this indirect manner, it could simply be hidden from June.

## **5.2 Diwali Celebrations**

Continued signs of June’s isolation for the other network members were apparent during the Diwali celebrations. As dress was an important part of the celebrations, all the staff wore full saris for the occasion – except June, who wore her sari over her T-shirt and jeans. In addition, all the staff wore a ‘bindi’ on their foreheads, again except June. Thus she became immediately isolated from the rest of the group by her different choice of dress. However, June’s close informal links with Gill meant that no direct, overt conflict was expressed from other network members, instead Gill briefly expressed their tensions with June through

teasing her about her fussy eating habits. However, the message beneath the teasing was a prompt to June to join in a bit more with the Diwali activities. In this case, to eat some of the Asian food, “how can anyone say they don’t like something unless they try it first?” (Gill).

The interplay of network and conflict resurfaced once the celebrations were over. Again the isolate was June, and the individuals with whom her relations were strained consisted of the core network members Fay and Sarah. It was clear that Sarah and Fay had tried to raise an issue with June and didn’t believe her answers about how the decorations sewn onto June’s sari had ended up on the floor. Consequently, to avoid escalating the conflict, they took the problem to Gill to solve because her network relationship to June was close and not antagonistic. Clearly, the final recourse for conflict avoidance was Gill – on whose shoulders therefore rested the ultimate cohesion of the group. Gill asked the two to tell June that it was time to come in and change. This was not the first time that Gill’s friendship with June has been used as a form of conflict avoidance. June, obviously willing to accept Gill’s demands and not the others’, came to change immediately. It was clear that June had been unwilling to accept criticism of her actions from Sarah or Fay, and once alone with Gill gave her a different version of the story about what had happened to her sari to that she had given to Fay and Sarah.

The necessity of expressing conflict, but hiding it at the same time was again apparent during the evening following the Diwali celebrations. In June’s car on the way to a local pub, Fay, sitting behind June, had mimed stabbing her in the

back and silently mimicked what June was saying. Fay repeated this hostility towards June in the pub, once June had left her seat to go to the bar. At this, Gill turned to me and asked me to “take no notice” of Fay, excusing her because “she’s only young”, thus explaining away the conflict as a result of youthful high spirits.

It was clear that the group’s attempts at eliminating or containing the conflict were not entirely successful because later that evening on the way home, it was apparent that June recognised that the tension existed between herself and the group. June’s self-awareness of her network position was indicated through her comments, expressed with resentment, to Gill, on how “funny” everyone was in the pub, discussing how they were to get home and that no one had asked for her help to drive them home.<sup>3</sup> It was clear therefore that June felt her social isolation, but appeared unable to break out of this antagonistic relationship with the rest of the group. Gill explained away the others’ actions in terms of the group not liking to assume that because June had a car she could be told to drive people home.

### **5.3 Employee Ownership Week**

Events surrounding the annual Employee Ownership Week, which fell during the fieldwork period, further illustrated June’s network role. Employee Ownership Week, attended by the city’s Mayor, was celebrated locally by an evening event at NurseryCo. Both June and Bridget arrived for the function alone, while Gill, Sarah and Fay arrived together, having been at Gill’s house beforehand. After the

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<sup>3</sup> June being the only group member to own and drive a car.

reception, the group went out together for a drink. This included June, but only after much persuasion from Bridget, who promised to buy her a drink.<sup>4</sup> June isolated herself further during the evening by sitting alone at the end of the table, deliberately physically self-isolated by leaving one space between herself and those around her. In this way, she positioned herself too far away from most of the group to hear the conversation. Significantly, the only people she could hear were Gill, her close friend, and myself, a fellow outsider.

The importance of social norms for group cohesion was illustrated here. During the evening it was proposed to hold a future get together, this time in a club, and Gill, Sarah, Bridget and Fay arranged to go. June however turned down the offer, saying that "it's not my scene". Therefore, June's isolated position within the group was partly self-perpetuating, she did not share with the others their social interests and therefore could not integrate into the informal network.

As the isolate of the group, this appeared to create a feeling of tension also within June. For example, she did not neutralise conflicts with a joke, but tended to withdraw from them, mainly by refusing to respond. She would however, vent her tensions when the others were not around, principally to me as another outsider or to Gill as a close friend. This suggests that there were tensions building up which could not easily be resolved through the usual group mechanisms. Indirect conflict used by other group members was expressed to their informal subgroup associates, whereas June as a member of neither main informal clique, had no one to bounce her tensions off. Neither could she use Gill

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<sup>4</sup> A promise which was forgotten once June had driven everyone to the pub.

for this purpose, because Gill maintained harmonious relations with all network members at all costs. However, June's relations with others in the group were less straightforward. The other members appeared to deal with their feelings about her in a different manner to other forms of conflict avoidance. In June's case they did not indulge in teasing or joking, they preferred instead to address their dissatisfactions indirectly. Fay, for example, chose not to look at June while she criticised her choice of television over singing for the children's circle time. Dot, on the other hand, when June was supervising the toilets, chose to express indirect conflict by taking her criticisms to Sarah. A re-examination of the network patterns within the group reveals why this was occurring. While the group norms of conflict avoidance applied to the tightly knit and overlapping informal subgroups, June's position was less integral to the informal network and therefore allowed the group members to deal with her differently. However, there was little use of direct and open conflict with June – she was still an integral part of the formal nursery network.

Indirect conflict was therefore the most common means of dealing with tensions in the groups relationships with June. In some ways, the amount of conflict that was directed at June posed a potential threat to the group's harmonious self-image, but this conflict was also suppressed and indirect and therefore served as a crucial safety valve for the relatively risk-free expression of their tensions. This form of conflict expression served two main network purposes. This first was to enable the core informal network groups to express their tensions without fear of rupturing the whole network and its collective identity of harmony. The second purpose was to reinforce the cohesion of the core groups, by identifying 'an other'

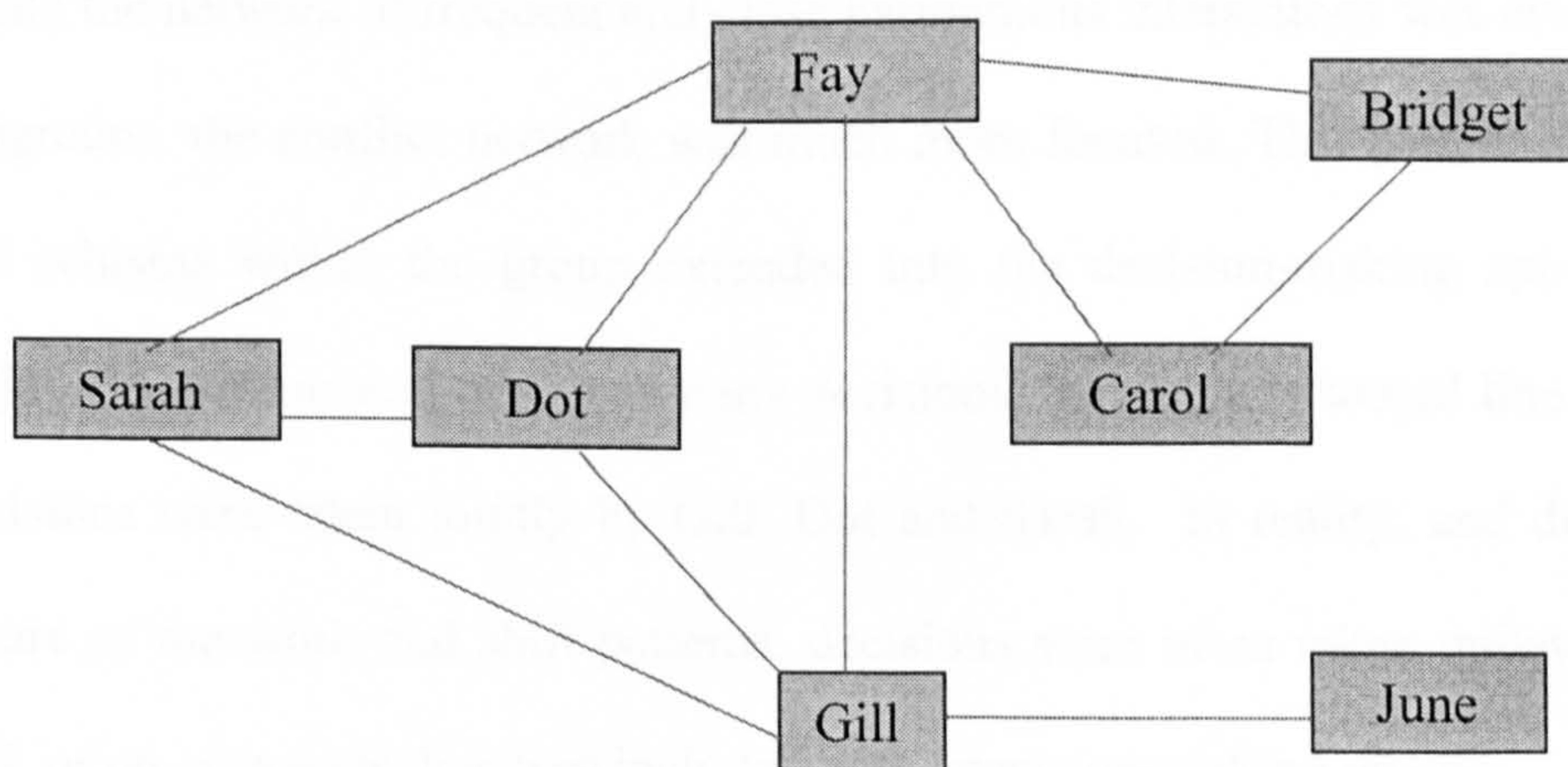
against whom the norms of the network could be measured, identified and reinforced, in this instance the reinforcing of work norms. June herself played an important role in this network process by reinforcing her isolation by not using teasing as a form of conflict avoidance and instead almost exclusively using withdrawal. However, her inclusion within the nursery group was reinforced by her means of entry, i.e. her friendship with the central member, Gill.



## 6. Network Position and Conflict Form

While an informal core of network members existed, closely linked to a number of other influential members, June and the students were informal network isolates and therefore not integral members of the group. Therefore, there were obvious alliances within the group, producing lines along which conflict erupted and which then had to be suppressed to meet the group's beliefs about its collective identity. In particular, the most isolated member of the full-time staff, June, applied a different form of conflict to the rest of the group. In her case, she used and tended to receive indirect conflict expression. Clearly, from the mapped representation of informal relationships at NurseryCo, June was an isolate in terms of close and frequent harmonious relations (Figure 4.6).

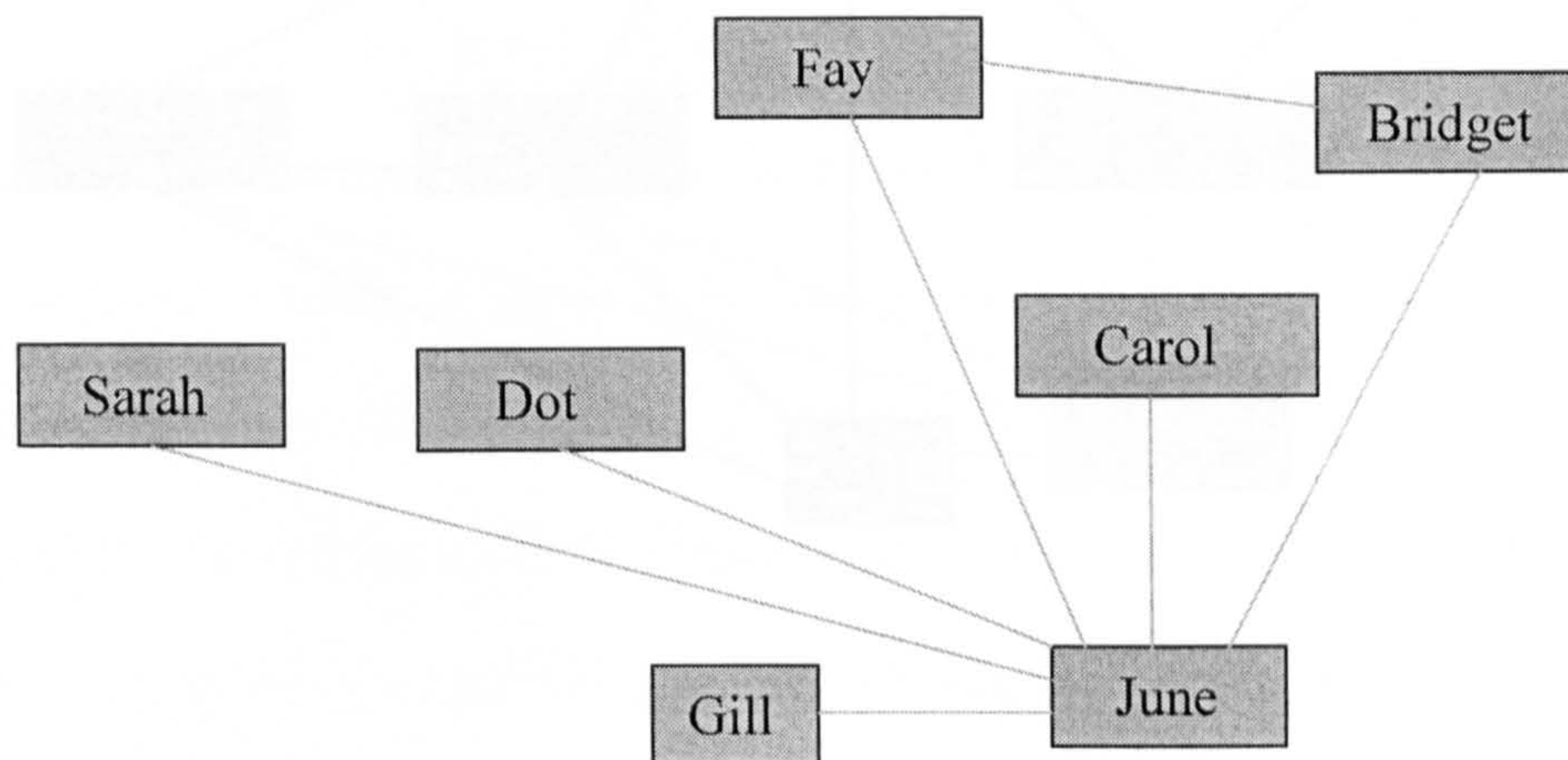
Figure 4.6 NurseryCo Harmonious Relationships



Obviously, this network of close harmonious relations replicates the informal subgroup structures illustrated in Section 2.3 of this chapter. However, if regular

conflictual relations (of all forms) between network members are mapped, a different picture arises (Figure 4.7). Here, rather than being an isolate, June was the primary focus for hostile interactions.

Figure 4.7 NurseryCo Conflictual Relationships

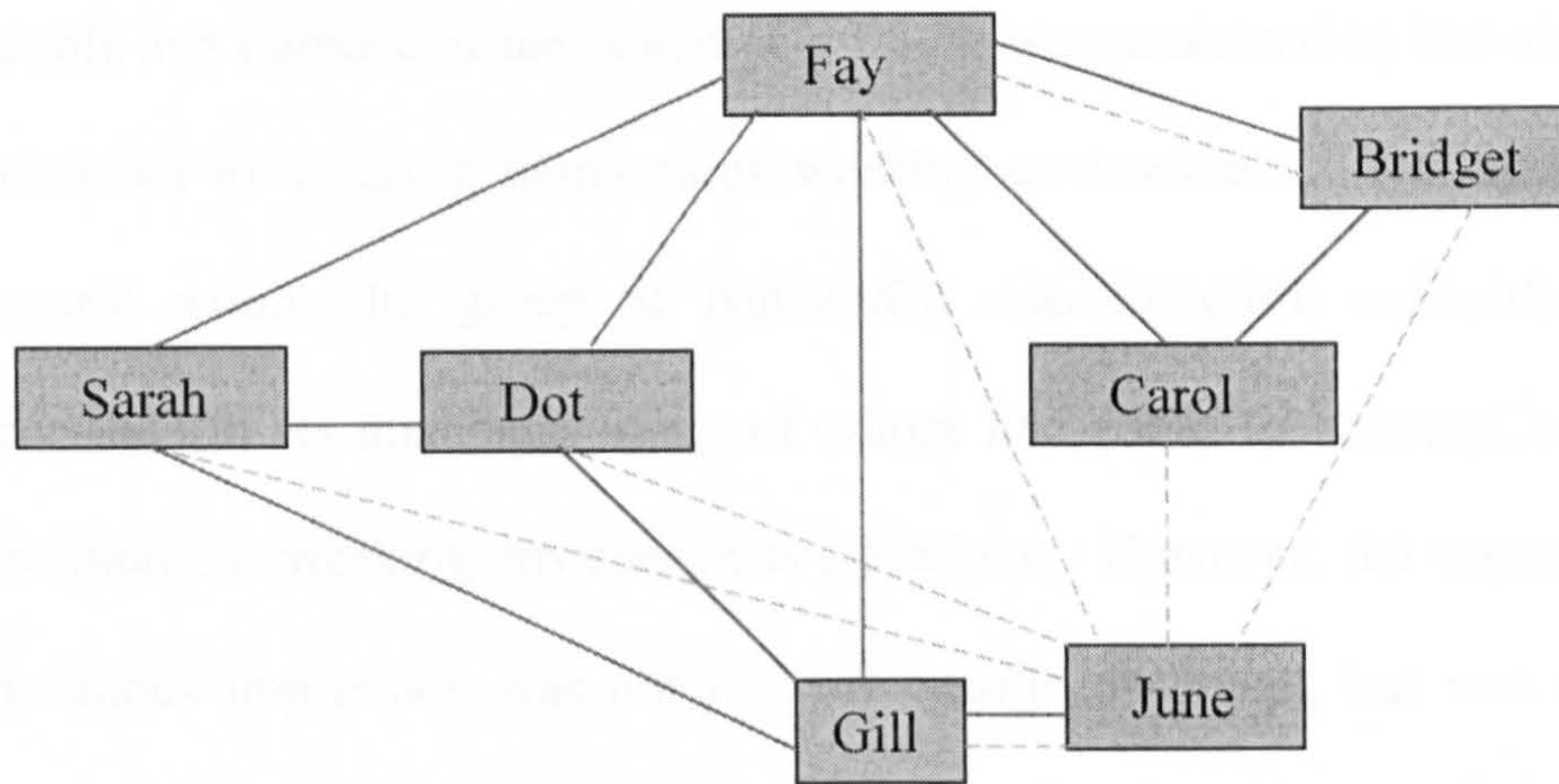


Therefore, there was an inverse relationship between the two network forms. While the network of frequent and close harmonious interactions was divided into subgroups, the conflict network was much more focused. This pattern of cliques and schisms within the group extended into the decision-making sphere. On major acquisitions and other company decisions, the publicly touted line was that decisions were taken jointly by Gill, Dot and Sarah. In reality, and due to the nature of the work and shift patterns, decisions were often taken unilaterally by Gill, or on occasions, Fay was included in the decision-making process.

By overlaying the two opposite forms of network – harmonious relations (shown in a solid line) and conflict relations (shown in a broken line), a full picture of the

dynamics at work within this small network can be presented (Figure 4.8).

Figure 4.8 NurseryCo Network Dynamics



## **7. Conclusions**

### **7.1 Role and Function of the ESOP**

The role and purpose of the NurseryCo ESOP was presented by the network as a mechanism to secure a harmonious working environment. The appearance of harmony within the group at NurseryCo was therefore evidently of great importance to its members, many of whom had come to NurseryCo to escape disharmonious working environments elsewhere. However, the importance of a harmonious impression was not just for outside observers, but was of integral importance to the cohesion and maintenance of the group, and of the ESOP, as this harmony was the rationale for the ESOP and for the group. It was their means of cohesion in the face of harsh alternatives, as work experience had taught the network members that alternative work opportunities elsewhere were unfriendly and antagonistic.

The ideology of harmony at NurseryCo was therefore so strong an identity within the network that the members worked hard to maintain its impression. In many ways, the group had a strong hand in the formation of the network and the maintenance of its collective identity. In the first instance, they chose new recruits that were known to at least one of the current members and who would fit in with the network identity, but on a deeper level they maintained the network through the instilling of joint goals. The collective identity for the NurseryCo network members was therefore constructed via their network – their reality was that the network was a harmonious, close group of friends who worked together.

However, the responsibility for the maintenance of this ideology fell most strongly on Gill. The burden this placed on her, and therefore on the network, was clear. When Gill returned to work from a short holiday, she said jokingly that if she hadn't taken a break she "would've had a breakdown". The joking manner in which this was said reflected her desire for her difficulties not to be seen as a source of tension for the group.

## **7.2 Conflict and Network Structure**

However, the form of the network also gave rise to conflict. While conflicts between network members were, on the surface, generated by the perceived violation of group norms of behaviour, this conflict could take any number of forms depending on the relative network status of the parties to the conflict. Conflict at NurseryCo was therefore very much a network phenomenon. From the data presented, it was clear that the use of various conflict suppression and avoidance techniques depended on the individual's network position and location. The result of the particular network forms and patterns at NurseryCo was that the closer the informal network associations between individuals, the more likely they were to use conflict avoidance techniques rather than resort to conflict suppression, or overt conflict expression.

While it may appear that the source of tension within the group was a result of the inclusion of June as a group member, this is an inadequate network explanation. As well as being a focus of conflict, June served as a point of cohesion for the

others, allowing them to reinforce their group norms against her nonconformism. The group needed an 'other' since, with the removal of the traditional ownership structure, there was no external other on which to release work tensions. Therefore with the removal, through conversion to employee ownership and control, of a traditional authority focus and thus a focus for tensions, an alternative and socially derived focus was required by the network. June's position as an isolate in the informal network served this function.

### **7.3 Formalised Conflict Structures: Case Study Two**

However, as case study one was a small, non-unionised network, its expression of conflict was largely hidden and informal. The impact of employee ownership and control on formalised, routinised conflict patterns and procedures (such as established industrial relations structures) could not therefore be examined. To adequately test for a relationship between employee participation and conflict, a case where overt conflicts were the norm was required. Therefore, for the second case study, a large unionised firm was chosen in the bus transport industry. While this sector has a history of overt conflicts in the form of industrial action by the employees, many of the bus companies had been privatised through employee buy-outs using the ESOP form. While several had been quickly taken over by the large national bus companies, case study two had yet to be swallowed up. Significantly, this larger organisation, with its established and formalised conflict patterns and routines, also claimed that employee ownership and control had reduced conflicts and increased harmonisation between unions and management.

# Chapter Five

## BusCo

### 1. Introduction

In common with NurseryCo, the BusCo buy-out had been prompted by the sale of the enterprise. While, at NurseryCo, a principal rationale for the employee buy-out had been to engender a harmonious working environment, the growth of harmonious relations between management and unions had not been a primary objective of employee ownership at BusCo. However, the testimonies of the Board members indicated that it had become an important and integral perception of the impact of employee ownership on the organisation. The accounts by the Board members presented in this chapter, indicate that while BusCo had retained its formal collective bargaining structures and roles since the employee buy-out, the ESOP, and in particular the Worker Directors, had changed the scope and role of the informal networks within the company. While these company representatives reported that industrial relations were much improved as a result of the ESOP, there remained significant questions concerning how much of this was simply ESOP rhetoric. The direct testimonies of the Managing and Worker Directors were by no means clear as to whether and to what extent things had really altered.

## 1.1 Rationale for Selecting BusCo

To adequately explore the relationship between social networks, collective identities and organisational conflicts, the study of covert and hidden conflicts alone would be insufficient. Therefore, to complement the NurseryCo case study a further study site that presented overt, tangible, sanctioned and formalised organisational conflict was necessary. This type of conflict can be found in the majority of organisations with established collective bargaining structures. These structures both sanction and formalise conflicts, while also providing a forum for the open expression of tensions. However, to permit comparison with NurseryCo, and for the purposes of this research, the organisation had also to be a recent conversion to employee ownership and therefore BusCo was selected.

BusCo is a large Bus company in the North of England which, at the time of the field research (1996), had been employee-owned for two years. At that time, the company consisted of around 2,500 employee owners, the vast majority of whom were union members, with the TGWU as the largest union represented. The organisation was one of many Bus companies that had privatised through the employee buy-out mechanism in the late 1980s and early 1990s (see section 5.2). BusCo was similar to NurseryCo in that it was also an employee-owned firm, recently bought by its employees using the ESOP structure and in both cases the shift to employee ownership had come about through the sale of the enterprise, which was beyond the control of the employees. In addition, both enterprises were situated within the tertiary sector and both sets of workers experienced low



pay conditions. However BusCo, in contrast to NurseryCo, was significantly different in network structure and size. The company was a large, well established enterprise with a long-standing union presence and role. Conflict processes at BusCo were therefore situated within an easily recognisable, formalised industrial relations forum, with established and formalised conflict frameworks which allowed the examination of overt conflict processes. Moreover, unlike the initial case study, BusCo was a strongly male company, bureaucratic and rigidly hierarchical with a dominant 'them-and-us' culture.

## **2. Rationale for the Employee Buy-Out**

### **2.1 External Forces: Privatisation**

BusCo had been bought from the local authority by all of its 2,500 employees including management in 1994, an employee buy-out that had been precipitated by a change in government legislation in the mid 1980s which privatised and deregulated the publicly owned bus industry. While many Bus companies were privatised at this time by conventional means, a significant proportion became employee-owned companies. This alternative privatisation mechanism was in large part due to a number of local authorities who were opposed to the sell-offs, but were legally bound to go through the motions of privatisation. The most politically appealing means of privatisation for many local councils was therefore via employee ownership. All of the newly converted firms used the ESOP form as their template, however, within this template each company forged its own proportion and form of employee ownership. In some of the bus ESOPs, employees held the controlling share, whereas in others management retained 51% of the shares. Few of the ESOPs opted for 100% employee ownership, partly since in order to bring management along they required a larger slice of the cake, and partly because where venture capital was involved, investors fought shy of total employee control. Of this group, BusCo had the greatest proportion of employee ownership among the large bus ESOPs, at 80%, spread evenly throughout the work force - its Managing Director having the same ownership status (however, with more shares) and rights as a 16 year old new starter. While

originally, BusCo had been 100% employee owned, by 1996, and just before the negotiations detailed in this study began, it had traded 20% of its shares with one of the national Bus companies in exchange for a large cash loan.

## **2.2 Internal Forces: Protecting the Status Quo**

While the reality of the sale of the enterprise was beyond the control of the employees and management, there were a few options open to them. They could have waited to see which national Bus company would purchase BusCo, or they had the option to be proactive and buy the company themselves. Given the scenario that both management and unions feared job losses and wage cuts if a national Bus company took over, the employees and management decided to buy the company for themselves, using the statutory ESOP formula. The privatisation of the bus industry, coupled with rapid deregulation, presented the newly privatising companies with a situation where, nationally, public use of the service had dropped by twenty-five percent and the number of buses on the roads had doubled. In some regions the statistics presented an even bleaker picture. Added to this was a significant cut in public subsidies, which resulted in both a highly competitive and often struggling industry. Often the burden for this fell on the workers, with pressure to accept reduced terms and conditions in order to keep the companies competitive. Given this general scenario, the workers at BusCo supported the employee ownership bid in the expectation that an ESOP would protect their jobs and terms and conditions of employment,

I don't think at the time the ordinary employees were in the slightest bit interested, all they wanted was their job carrying on.

(Finance Director)

They were interested in protecting their jobs, shares didn't count.

(Worker Director Three)<sup>1</sup>

Management backing was won for the ESOP for two reasons. Firstly, management could also see the growth in competition, which as the Finance Director pointed out “might have produced a P45 for me”, and anticipated that employee ownership would protect their jobs also. Secondly, the expectation was that employee ownership would raise levels of employee loyalty within the company, therefore increasing employee willingness to accept changes to terms and conditions to ensure continued competitiveness and thus protect their investment.

Both the management and trade union groups at BusCo felt that the new organisational structures, that had been brought about through the conversion to employee ownership, would work in their favour exclusively within their established adversarial relationship, and consequently lent their support to the venture.

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<sup>1</sup> Platform Staff Worker Director

## 2.3 The Buy-out Process

As a result, management and the unions co-operated in the buy-out process, and the Buyout Group (established to deal with the formation of the BusCo ESOP) consisted of both management and employee representatives and incorporated a strong trade union representation. A significant outcome of this was the protection of the trade union representative and bargaining functions in the ESOP Articles, and consequently the principal industrial relations forums, the negotiating committees, enjoyed unbroken continuity in the transition to employee ownership. The ESOP structure eventually adopted was also designed to “minimise the prospect or temptation of anybody making a lot of money out of it” (Finance Director) and so management were not awarded vastly disproportionate amounts of shares. In addition, the shares were protected for five years after the establishment of the ESOP, preventing any take-over bids in that period.

Therefore, from two quite opposite group goals (both management and unions), the employee buy-out gained practically one hundred percent support at BusCo. It is realistic to say that BusCo had the change in ownership forced upon it by external circumstances and entered into ESOP negotiations as a creative and risk-laden route to saving jobs and preserving terms and conditions of employment. Therefore, while the changes put in place by the national legislative moves could not be prevented, the employee buy-out was achieved primarily to prevent change from occurring. Democratic decision-making and participation rights were

initially far from a prime consideration, although the nature of the organisational form they were investigating meant that it was a probability.

### **3. Formal Networks**

#### **3.1 Established Networks at BusCo**

As a result of the buy-out process and rationale, formal collective bargaining structures and roles were retained at BusCo. These established collective bargaining structures consisted of two distinct formal workplace networks, management and trade union, with radically different collective identities. As a result of these different formal frameworks, direct communication between the two groups was largely formalised, due to their limited informal communications or social links. Consequently, the main opportunity for communication occurred within the collective bargaining arena, where the exchanges were based on formal group position and not on personal contacts.

##### *Management Structure*

Management at BusCo was represented at the collective bargaining forum by appointed, functional teams from different management levels. In negotiations with the drivers, for example, the core management team consisted of the Operations Director, the Depot Manager and the depot operations manager of the largest depot, with other management representatives attending on occasion, such as the Finance Director. The rigidly hierarchical nature of the management network indicated an evidently concentrated network form, with the Operations Director occupying the central position. The Operations and Engineering Directors were directly involved in the collective bargaining forums for the

TGWU and AEEU functional councils respectively. The macro-cultural environment of BusCo's management network was one of professional, career management, but also a management that had until recently been schooled in the public sector.

### *Trade Union Structure*

The employees at BusCo were divided into three occupational groups: platform staff (drivers), engineering, and administrative/management staff. Each employee group was represented by their own union and negotiated with the company through their own functional councils. For example, the platform staff, numbering over fifteen hundred, were represented by the TGWU. This body of employees was divided between five garages, resulting in five TGWU branches. Within each branch, there existed a formally hierarchical structure of positions, centering on the branch Chair –the composition of the union branches therefore manifested as concentrated interaction networks.

The drivers' Functional Council, known as the Central Negotiating Committee (CNC), met approximately once a month to discuss union business. All five branches were represented on the TGWU Central Negotiating Committee by each branch Chair and Vice Chair. In addition, some branches were allowed additional representatives, the number of officials representing each location depending both on the size of that location and also on the historical development of inter-regional rivalries. Of the members with voting rights, six representatives were drawn from the largest regional centre, plus one (a loose cannon politically) from a centrally



located satellite site. There were also three representatives from a second regional centre and two from the third locality. In addition, there were two lay trade union observers without voting rights, one from a BusCo subsidiary company and one from the satellite site - to ensure a "fair" representation from those depots. The final (non-voting) trade union related member of the CNC was the TGWU local full-time officer. As a result, the network composition of the CNC differed from that of its constituent branch structures. The equalisation of influence within the formal CNC structure indicated a dispersed interaction network pattern.

Prior to and throughout the employee-ownership period the trade unions had been strongly supported by the employees at BusCo. The macro-cultural environment of the trade union structure at BusCo had therefore continued to be strong and dominant.

### **3.2 ESOP Networks at BusCo**

Superimposed on this established collective bargaining framework were the more recently introduced formal ESOP structures, consisting of the four Worker Directors and the Boards of the Employee Benefit Trusts I and II. The rationale for and purpose of these new structures was to represent the workforce as shareholders and therefore the ESOP structures possessed a radically different macro-cultural environment, one which was neither worker nor management. Consequently, while these new structures existed in parallel to the existing formal

collective bargaining networks, there was no overlap of formal responsibilities or areas of control.

### *EBTI and II*

The Employee Benefit Trusts I and II represented 26% of the total shareholding in the company. Both the Employee Benefit Trust Boards were made up of management and lay union representatives, with the union representatives significantly outnumbering management. As the Employee Benefit Trusts were constructed to represent employees and management as shareholders, the trusts had no formal collective bargaining roles. However, many of the trade union officials involved in negotiations also sat as Trustees, therefore informal overlaps between the two structures frequently occurred.

### *Worker Directors*

As a result of the employee buy-out, the company Board had been reconstituted to incorporate a total of four Worker Directors. The engineering employees were represented by their own Worker Director (Worker Director One), as were the management/administrative staff (Worker Director Two). The largest group of employees within the company was the platform staff and, for this reason, the drivers were represented by two Worker Directors (Worker Directors Three and Four). As company directors, the Worker Directors attended all Board meetings and had access to all company information.

While all the Worker Directors were former trade union lay officials they were not permitted to remain as such while in post as Worker Director (they were however allowed to retain their union memberships). Consequently, on acceptance of the post of Worker Director they were required to resign membership of the trade unions' Functional Councils. Furthermore, while the Worker Directors were part of the formal Board of Directors structure they were not members of the formal management network, and therefore had no remit to directly manage employees. Therefore on entry into the formal ESOP network the Worker Directors had exited from the formal union negotiating structures, without formally entering the management negotiating network. The ESOP had thus created a new and parallel formal network, consisting of the Worker Directors and EBTI and II, which had no official or formally sanctioned negotiating role or responsibility.

However, while the formal Worker Director network existed separately from the formal negotiating networks, the nature of the new ESOP posts meant that the Worker Directors were closely associated with both unions and management. On the one hand, while the Worker Directors retained their original jobs (i.e. as bus drivers or engineers), their formal roles as company directors also included attendance at middle management level meetings, with a view to disseminating information from the Board at these meetings. Consequently, while the Worker Directors sat as Board members, and therefore had company management responsibilities, they did this without belonging to the formal management network. From the union perspective, even though the Worker Directors had resigned from their formal union positions, they were selected and voted for by

their unions.<sup>2</sup> In addition, the Worker Directors continued to attend Functional Council meetings, but in an advisory and non-voting capacity.

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<sup>2</sup> Each sat for two years and could then stand for re-selection, or be de-selected. In practice any employee could become a Worker Director but, in large part because the unions controlled the selection procedure, only union officials had been chosen.

## 4. Perceptions of Employee Share Ownership

### 4.1 Claims for Harmony

While the growth of harmonious relations between management and unions had not been a primary objective of the employee buy-out, the testimonies of the Board members indicated that it had become a significant perception of the impact of employee ownership. The forces behind the establishment of the BusCo ESOP had meant that the trade unions remained a major force within the company. Consequently, the formal place of the unions in industrial relations had not been altered by the ESOP. What had changed however was the company's view of their relationship with the unions. This they claimed was now more harmonious and less 'them-and-us',

That's entirely different now, you each have still got your own traditional things to achieve, but there is a much deeper understanding. (Operations Director)

This 'Let's go and bash the managers' has dissolved. I'd say the industrial relations in engineering has never been as good as it has been today. (Engineering Director)

Both Managing and Worker Directors believed that employee ownership had achieved this improvement in industrial relations by producing a greater understanding between the two groups,

Both parties now understand each other better and why each side has to do certain things. There's probably more understanding of each other's roles ... in negotiations and just about everything you can think of. (Worker Director One)<sup>3</sup>

However, this movement towards harmonisation appeared to involve only an alteration in the unions' frameworks of understanding and notably no claims were made for an alteration in how management approached industrial relations at BusCo.

## **4.2 Harmonisation Processes**

The reported new understanding in the industrial relations sphere was attributed by the Board members entirely to the new ESOP structures, even though the formal ESOP structures had no formal industrial relations position or role. These new structures had been established in order to represent workers and management solely as shareholders and this was in large a reflection of the initial goals of the ESOP, which were to protect the status quo within the company and not explicitly

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<sup>3</sup> Engineering Worker Director

to improve the industrial relations between management and trade unions. Yet, the harmonisation of relations between unions and management was presented by the company as a significant impact of employee ownership. The picture the Board presented of employee ownership at BusCo was one of the organisation having successfully bridged the chasm between fundamental, adversarial management-worker relations and the superimposed relations of employee ownership to foster an atmosphere where both the original and new regimes co-existed harmoniously. Given that the ESOP had no formal industrial relations role, the perceptions of the process of harmonisation that were presented by the Board were significant in determining how this harmonisation had occurred.

#### *Altered Decision-Making Processes*

The Board felt that, as a result of employee ownership, the outcomes of decision-making at BusCo had been improved, “simply because we haven't made a decision which hasn't been fully thought through” (Engineering Director). While the company did not claim that all employee shareholders held the same views, they did claim that in the decision-making process “there's a consensus at the end of the day” (Engineering Director). The Engineering Director asserted that, before the ESOP, decision-making would have involved managers,

‘going down that route’ and then about five steps along the way we start to hit problems because we hadn't considered that we hadn't considered this and since we've been an ESOP I can't remember

any massive industrial relations issues - simply because of the processes that we're involved with. (Engineering Director)

The Managing Directors' perception of the usefulness of employee ownership was not therefore in including as many employees as possible in strategic decision-making, but in improving the efficiency of company decisions. To do this they consulted with the ESOP representatives, but the ESOP "hadn't made the actual driver of the bus any more understanding of management's problems, it's perhaps changed the level at which that is communicated to the individual" (Finance Director). The Board also felt that middle management believed that the changes the ESOP had produced in the company structures had made the decision-making process much longer because of the consultation that was now involved. However, middle management's concerns were overridden by the Board's impression of an overall improvement in decision-making outcomes.

### *Altered Attitudes*

The greater understanding between the management and worker networks at BusCo which facilitated this improvement in decision-making had reportedly grown because, as all employees were now also owners, both management and unions had "all got one goal at the end of the day and that's a profitable BusCo" (Worker Director Three)<sup>4</sup>. The convergence in management and union goals (associated by the Board members with improved communications between the two networks) was attributed to the representation of employees at Board level by

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<sup>4</sup> Platform Staff Worker Director



the Worker Directors. The four Worker Directors were “able to put an input in from each part of the business” (Engineering Director) and, alongside the Employee Benefit Trusts, were able to represent the interests of the employee-owners to the Managing Directors.

A closer understanding between the two groups was also seen as a product of the increased involvement of workers in company decision-making processes, where part of the impact of the ESOP had been to “involve a lot more people” (Worker Director One). At levels below the Board, management held discussions with staff at garage level “to try and draw people's ideas” (Operations Director), meaning that the employees were asked for their input into decisions for example on cab layout, or the positioning of grab handles on buses. The main channel for information from the Board to the shop floor was via the ‘Group Updates’, documents which were sent out monthly from Head Office to each garage - either to the Worker Directors or to local management. In addition, communications within garages had also been improved, for example some Area Managers would now eat in the employees’ canteen, whereas “an Area Manager five years ago would never have sat in a canteen and had his dinner w’ lads” (Worker Director Three).

### *Worker Directors’ Role*

While the main rationale for the employee buy-out had been to preserve the formal collective bargaining processes and relationships, the new communications channels at BusCo were, in large part, a product of the new ESOP structures. At

the very highest level, the change in ownership had altered the composition of the Board of Directors to include four Worker Directors and, as a result, the ESOP had altered how, and what, information made its way into the Boardroom. Most significantly, the Worker Directors provided “that missing interface” (Engineering Director) with the employees. More significantly, the Managing Directors felt that the main channel of information from the shop floor to the Board had become the ESOP representatives and not the union representatives (who were part of the preserved collective bargaining structure). The Worker Directors’ unique contribution was seen as being able to bring people together from both sides of the industrial divide and facilitate their reaching an agreement, with the Worker Directors reportedly acting as mediators between the two sides of the industrial relations sphere. It was apparently common for senior management, when they were experiencing conflict with one of the unions, to ask a Worker Director to “smooth the waters” (Worker Director Three). This involved the Worker Director concerned talking to both parties “and get them to both bend and come to some agreement that doesn't cause major problems” (Worker Director Three).

In particular, the Board reported that the role of the Worker Directors was crucial to the improved understanding between management and unions (and thus to the perceived convergence in collective identities). The perception was that the unions now felt more at ease with their relationship with management,

In fact, they [trade unions] probably feel more secure now in that they've got a representative on the Board. I think they feel more secure that they are involved in the process. (Engineering Director)

### *Informal Relations*

While relationships and communications with the Worker Directors were seen as a replacement for communications and links with the trade union representatives, these new channels of communication between the Managing Directors and the employees were largely informal. Therefore, the employee buy-out had instigated a significant shift away from formal relations through an increased focus on informal relations and communications within the organisation. The Worker Directors reported that employees would often ask them to speak to Managing Directors on their behalf, which was represented as a positive impact of employee ownership on company communications. Therefore, as a direct result of the establishment of the ESOP, the informal communications channels within BusCo had grown in both number and importance, centred on the new ESOP representatives,

It's a problem in the formal line of communication, because of the way the Worker Directors are appointed, I mean Chris's background is at Easton and the people at Easton know he's very very approachable, and people will talk to me less, so that's the part that has developed more than the official line. (Operations Director)

The Worker Directors in their turn also reported positive developments in informal communications arising directly from the establishment of the ESOP,

I think you can do a lot more informal than you can formal, and I think that's a great benefit to the company. It's not a value you can put in money, but Owen [Operations Director] can probably evaluate in morale terms and in communication terms what I do, and the communication has probably helped him at the end of the day get passed something that he would never have got passed two years ago. (Worker Director Four)<sup>5</sup>

### *A New 'Realism'*

The unanimous perception of company industrial relations presented by the Board was that the "old regime", the traditional them-and-us relations with "management one side, trade union the other" (Engineering Director), was an element of the past at BusCo. Under this old regime of industrial relations, a predictable pattern of negotiations had been adhered to every year. This involved the trade union tabling their pay request, to which management's initial response had always been "well that's a real load of rubbish ... can't afford that, away with you" (Operations Director). Five or six meetings would then follow before a general agreement was arrived at to go back to a ballot. The view of the Managing Directors was that the wage deal would then be greeted by the shop floor with "Huh, they're not telling the right answer, they're not telling you *half* the story, get back there and do a

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<sup>5</sup> Platform Staff Worker Director

decent one” (Engineering Director). The balloting procedure would then be gone through a further two or three times before an agreement was finally reached. However, with employee ownership the Managing Directors claimed that,

We don't get claims like that any more, and certainly not of that order, simply because under the old regime they had no idea of how the company was performing, and for us to turn up in a meeting and say “look we're not making profits”, it was - no one believed it. But now through the ESOP mechanism and through the Group Updates that we have, and the whole series of other things where the Worker Director's involved, they can see that that is the truth, they know that at any one moment in time what our financial health is. (Engineering Director)

The impression presented by the Board, and especially by the Managing Directors, was therefore that the union representatives had altered their attitudes towards the company and towards negotiations with management as a consequence of involvement in the ESOP, and were now more willing and able to see management's point of view. In effect, that the collective identity of the union at BusCo had unilaterally converged with management's unaltered goals. A major benefit realised by management as a result of their new industrial relations culture was that the workforce had (largely) foregone traditional pay rises since the employee buy-out. Instead, the company had introduced profit-related pay. The

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Board suggested that before the ESOP any attempts at introducing PRP would have resulted in industrial action. The majority of the Managing Directors attributed this change in industrial relations to the trade unions becoming much more aware of business issues and “commercial realities” (Operations Director) through involvement in the ESOP. This onslaught of ‘realism’ in the unions’ approach to industrial relations was attributed to the change in ownership position of the workers who, if they were to choose industrial action or a work to rule, would be “wrecking the company that they own” (Operations Director). As a result, the trade union had become “more realistic, less traditional” (Operations Director). The popular “traditional trade union - bang the table and say we want something else” (Operations Director) had apparently been abandoned in favour of,

A different sort of a conscience, previously they could close their eyes to the well-being of the company, now they can't do that, now they've got to go back and explain management. (Operations Director)

As a result, the Managing Directors’ view was that both management and the union representatives were “actually saying the same things” (Operations Director). In effect, the belief among the Board members was that there had been a convergence in management and union collective identities within BusCo as a direct result of the employee buy-out.

### *Local Bargaining*

As a result of this new realism attributed to the unions, another significant development in the direction of harmony voiced by the Managing Directors was that the increased openness introduced by the ESOP had “a little bit diluted the trade union’s traditional role within the company” (Engineering Director). However, the Board was not interested in de-recognising the unions as it still considered that the unions had an important role to play in facilitating the flow through of ideas and information in each garage. In fact, the change in role, alongside the continued presence of the unions, suited the company as each garage union branch could now be dealt with individually, whereas,

In days of old we'd never do that, any decision had to come back before the central committee and they had to vet it and agree it and argue it, and we don't have that now. There's a whole host of things we've put in on engineering post-ESOP which pre-ESOP you wouldn't have had an earthly. (Engineering Director)

The Managing Directors therefore felt that employee ownership was facilitating the introduction of organisational changes by breaking down some of the company-wide collective identity of the workforce and their representatives. This break down of union collective identity was represented as increasing harmony within the company and lowering levels of conflict between management and unions. As such, the ESOP was portrayed as altering the informal structures

within which the overt and sanctioned conflict processes operated and this in turn was influencing the conflict itself.

The Worker Directors also supported this view. From their perspective, closer to the union processes, they also believed that the ESOP had facilitated harmonisation in the company's collective bargaining procedures. As evidence they stated that since the conversion to an ESOP both wage deals had gone through on the first ballot, rather than on the third or fourth. Worker Director One attributed this phenomenon to the fact that the Worker Directors, and the EBT1 union members, were able to say to the workforce "we can't afford any more, it's this or nothing". As one of the platform staff Worker Directors explained,

because we did that [i.e. communicate informally], people accepted it, reluctantly albeit, but they understood the reality of it and they accepted it. (Worker Director Four).

However, the positive and direct influence of the ESOP was not clear cut and not all Board directors agreed with this perception. The Finance Director held a less positive view and expressed his opinion that,

we've used the profit related pay scheme both years to enhance the wage. If I'm a cynic, I'd say the reason it went through on the first ballot is because it was very difficult and nobody understood it anyway. (Finance Director)



With employee ownership, management had reportedly also become more flexible in their approach to negotiations. Before the employee buy-out, the Managing Directors reported that they would have insisted that an offer tabled within the collective bargaining forum, for example on sick pay, was accepted by all garages or by none at all. However, with the ESOP they claimed to have become “much more relaxed and if some garages want to take it, OK go with it and if the other doesn't, OK we'll leave you” (Operations Director).

A growing flexibility among the workforce was also reported by the Worker Directors, a flexibility which was resulting in a reduction in the intransigence of the old regime,

I remember being a shop steward, and we'd go to Brian [Engineering Director] and say “We don't want to clock in and out any more”, and Brian would say “Go away, you've got to clock in and out”. And I also remember when Brian came to us and said “Right, don't clock in and out” and when I went back to shop floor they said “Oh no, we want to clock in and out!”. (Worker Director One)

While these claims made by the Board for the harmonising influence of employee ownership were remarkably consistent, this was contradicted by their accounts of continued conflict at BusCo. The reported improvements in relations (and thus alterations in collective identities) were therefore not as clear-cut as they

frequently suggested. While the culture within BusCo was perceived to have altered, replacing the 'old regime' with a new climate that was "really quite open" (Engineering Director), the formalised conflict process had remained untouched,

It's a game that we play every year, at the end of the day they know they're going to ask for that, they know they're going to offer that and we start off. (Worker Director Three)

### **4.3 Continuing Conflict**

The apparent unitarist trend, and associated convergence of goals, at BusCo was however contradicted by the Directors' claims that the company was no less pluralist as a consequence of employee ownership. The Board reported that both management and union continued to approach their common goal from "different aspects" (Worker Director Three), reflecting their different expectations of the ESOP and consequently the Engineering Manager was keen to point out,

Please don't think that everybody on the shop floor and all the drivers are all one happy bunch as a result of it. I mean, we still have disagreements, we've got 2,700 people all working with their own ideas and their own views on everything but that's what the ESOP's about.

Conflict had therefore been an aspect of employee ownership from the start of the ESOP. The continuity in the formal collective bargaining structures had had immediate conflict consequences for the company on its transfer to employee ownership. While the Board members believed that employee ownership was now, after two years, making a significant contribution to harmonious relations with the trade unions, they were also transparent about the fact that this had not been an overnight success,

The interface, it's now working very well, but I wouldn't kid you, in the early days - a lot of suspicion - "What's he doing in a management meeting? Why do they need to be involved, they've got no line responsibility they're just checking up on us", so there was that fear and suspicion. (Engineering Director)

When it was announced that I was going to be Worker Director, the rumours were that I was going to be going round garages telling managers what to do. We had so much trouble with that, that I'd be rifling through everybody's desks and demanding keys. I'd never said anything, neither had anyone else, it was just one rumour escalated absolutely. (Worker Director One)

The cultural changes that the Managing Directors and the Worker Directors saw in the company had therefore reportedly taken some time to establish, indicating that collective identities had not altered immediately on conversion to employee

ownership, but had adapted to it over time. This gradual acclimatisation was partly attributed to the Worker Directors' previous attachments to the established trade union network within BusCo, where they had been "battering on the door" and then with the ESOP, "the next day he turns up in a management meeting on *this* side of the table and there's this 'Well it can't be right this'." (Engineering Director). However, despite the acknowledgement of some remaining differences, the overriding impression given by the Board's accounts was one of a continuous and growing harmonisation of goals between the union and management at BusCo.

Experience and evidence of conflict within the ESOP also apparently depended to some extent on depot location as well as hierarchical position. For instance, within some garages the 'Group Update' from Head Office would be sent to the local Worker Director, but there was no coherent policy in this regard since not all garages had a resident Worker Director. At the Weston garage, the group update was sent to the drivers' Worker Director since he worked there, while at other locations the Group Update was "just pinned up on the notice board, which is where you get the criticism ... in all honesty in some garages it works very well, in others it's very poor" (Engineering Director).

The impression of harmony presented by the Board was therefore contradicted on a number of levels by their own testimonies. Despite the explicit acknowledgement of some tensions with the ESOP, where conflict occurred it was allegedly "only on a professional level not on a personal level" (Worker Director

Three). In other words, claims were being made for a significant alteration in relations between the networks at the informal level, and these informal changes were seemingly driving the move into harmonisation of attitudes within the company. As a result, the Board members claimed that prior to the ESOP “there was always mistrust” (Chief Executive) between management and union, while with the ESOP this wariness had retreated.

However, there was only evidence that this new informal interface, and the resultant collective identity changes, had been experienced at senior company levels. Significant changes to relations were only reported at the highest levels within the company, involving the EBTI and the Worker Directors. As the Finance Director pointed out, general employee involvement in decision-making had remained at a fairly low level,

... that doesn't make very much difference, that's not a key decision. So to some extent it goes on the same way it's always gone on.

Consequently, “the typical bus driver or typical engineer is having no more say in running the business today than he did pre-1993” (Engineering Director). This continuity of collective identities at the shop floor level was accompanied by a continuity in the workers’ relationship with their local and senior management. Notably, while the Worker Directors reported that employees often asked them to speak to the Managing Directors on their behalf, on hearing this story recounted,

the Finance Director interrupted with, “I think to be fair, nobody ever does”, to which the Worker Director concerned responded “No, I know they don't”.

The ESOP's failure to create an impetus for change in shop floor level collective identities was also evidenced by the level of apathy within some employee groups towards any form of involvement, including employee ownership,

A lot of the employees don't want to get involved whether it's on the shares or in the trade union or anything else, all they want to do is drive the bus, make sure it's comfortable, they don't like it with a dirty wheel and all this sort of thing. (Finance Director)

As a result, it was clear that despite the Board's claims for and belief in organisational harmony, below Board level a significant proportion of the company had not experienced the transformation in collective identities or therefore in worker/management relations,

There are some shop stewards who have not been able to come to terms with that position, they still want to bang the drum. (Worker Director Four)

I think you'll find that there's some trade union representatives who would rather not be in an employee-owned company, they are the less bright ones. (Operations Director)

#### 4.4 New Areas of Conflict

However, the experience of conflict within the ESOP was not just one of conflict continuity. In fact while the ESOP was hailed as the means by which greater harmony had been brought to the company, it was also blamed for introducing new areas of conflict into the management/worker relationship,

I can identify people who haven't changed one bit, in fact they've probably gone in reverse. (Operations Director).

The Operations Director's experience of employee ownership was "that it can build in certain animosities" which had resulted in "undoubtedly a little bit of tension" (Operations Director). Therefore, the changes in the formal structures of BusCo which resulted from employee ownership were both claimed to be the genesis of the harmonisation of relations within the company, and were also cited by some as the source of the new areas of conflict.

While the formal, collective bargaining structures at BusCo appeared to be weathering the advent of employee ownership relatively unscathed, there was evidence to indicate that informal structures within the company were experiencing greater flux. Despite the fact that the Directors had suggested that alterations to the informal networks at BusCo were the drivers of harmonisation, their testimonies provided direct evidence to the contrary.

### *Tensions within the Board*

The picture the Board presented of harmony at the senior levels of BusCo was notably tinged with suspicion and tensions. The very arena where employee ownership was claimed to be producing the harmonisation of relations in BusCo - its informal communications network - was also revealed as the source of new conflicts within the company. While the Board members claimed a new understanding between senior management and the unions, there was a residual resentment and unease expressed by some Managing Directors at the inclusion of employee representatives in the running of the company, which ran counter to their claims for harmony. These new tensions came to light when the Managing Directors complained of a 'leakage' of information from high level meetings,

I'll call it leakage - if we're talking at a Board meeting about issues, or some of the other forums where we have employee involvement, somehow that can get out. The Worker Directors say something [to the shop floor] which hasn't given the whole game away - you're only discussing it but soon that builds up and before you know where you are it's a major explosion that can happen and then the rumours arise. (Engineering Director)

From the Managing Directors' point of view, the employee representatives were at fault for using informal communications to undermine the organisation's formal information channels,



One of the down sides I'd say, that's happened with regard to an ESOP is the rumours that are always circulating. I mean, at least once a week, once a fortnight the latest half dozen rumours, and I think it's this information flow. What's happening under this of course, a lot of people get to hear about things and decisions and processes before the managers, you know *because of our constitution*. (Engineering Director) [emphasis added]

This leakage of information was accredited in part to the union histories of the Worker Directors and the resultant pressures they were under from the shop floor to report back on Board discussions. The Managing Directors' view was that the Worker Directors were selected by their trade unions to "go and bash those bloody managers and those directors and tell them what for" (Engineering Director). The Worker Directors in part supported this supposition - they *were* chosen by the unions, and were therefore accountable to them. Consequently, the Worker Directors reported that the unions would ask them to tell management "This is not what we want, we want something different" (Worker Director One), but they denied being the source of leaked information. While the Managing Directors believed that the problem with leaked information lay in the Worker Directors' close, informal relations with the union representatives, the Worker Directors' story was quite different. They claimed that after a Board meeting they would,

come away and have a private talk with Owen or Brian or Mike [Managing Directors], you know and just say "Look if you're going

to have this line, we're going to have huge trouble” so we solve the problem, we get round it you know. (Worker Director Four)

### *Tensions on the Shop Floor*

These new areas of conflict were not just experienced at Board level but throughout the company. The dissonance between the apparent collective identity changes at senior company levels and identity continuity at shop floor levels had created new areas of tension within the organisation. On the shop floor, the employees were apparently finding it difficult to accept the new relationship between management, unions and Worker Directors,

People on the shop floor now say “Ah, they're not giving you the correct information”, so you have to stand up and be counted and say “I'm sorry but the directors have got no option, you either trust me or you don't”. (Worker Director One)

The apparent widening gap between shop floor workers and their representatives involved in the ESOP was also supported by the accounts given by the Managing Directors, who indicated that workers saw those union representatives who were participating in the ESOP as “one of the managers now”. Consequently, the Finance Director expressed his concern that all the ESOP had achieved was to,

Move the communication problem down a tier, if you like. The fact that we're an ESOP company doesn't make the pay negotiation any

easier because the people to whom the negotiation group come to sell the deal perceive some of the negotiators as being on the side of management and therefore distrust them.

However, the belief that the conversion into an ESOP would achieve harmonisation was supported by the Finance Director, who reported that the continued mistrust of management was “most disappointing in an employee-owned company”. Particularly when senior management’s relationship with the union representatives had reportedly improved so much,

The difficulty then comes that if they then support whatever management says, they in turn get disbelieved and their credibility comes to be at stake. (Finance Director)

Despite their claims for harmonisation, the accounts given by the Board members thus indicated that employee ownership was in fact dissolving the collective identity of the workforce and creating a split between the employee representatives and their constituencies. This generation of mistrust between employee representatives and workers had meant that some attitudes had “probably gone in reverse” (Operations Director) as a result of employee ownership. This indicated not only new areas of conflict among the workforce, but a polarisation of attitudes at shop floor level, pointing to a widening gap between both shop floor and employee representatives’ and shop floor and management collective identities.

### *Tensions at Middle Management*

To some extent, the Worker Directors' testimonies supported the Managing Directors' assumptions concerning the polarisation of collective identities at shop floor level. However the Worker Directors believed that the problem lay principally with middle management and not with the workforce. It appeared that the shop floor workers were not the only group experiencing some difficulties with the new ESOP structures, and apparently middle management in particular believed that their role was being squeezed out by the new understanding between the unions and senior management. They were reportedly finding it difficult to adjust to the concept that shop floor workers were now shareholders and employee owners, and the notion of "I'm the boss, you do what I tell you" was slipping away from them and with it their authority. For example, part of the employee ownership process had been to replace the monthly management group meetings with meetings which "mixed the trade union in" (Worker Director Three). As a result, whereas previously middle management "knew what was happening so they could go back, smile, because they had all this information" (Worker Director Four), with employee ownership the information was now also held by the unions.<sup>6</sup> The opinion of the Worker Directors was that middle management felt that employee ownership was eroding their traditional authority and power.

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<sup>6</sup> The aim of involving the unions in these meetings had been to get both groups to present their constituencies with the same information. However, this hadn't happened and so a written briefing, the Group Update, had been introduced.

The Worker Directors therefore believed that the source of the problems lay with local management “trying to release the information the fastest ... whoever can release the information the fastest has the most power” (Worker Director One). The engineering Worker Director claimed that, while he might be found discussing Board decisions with workers, this was because middle management had already made the workers aware of the discussions going on at Board level, and he indicated that the middle managers “put one or two rumours about to wind things up - to enjoy - I think that's what's happening”. These accounts by the Worker Directors were in direct contrast to those provided by the Managing Directors who, while also expressing concern about leakages of information, maintained that this resulted from the Worker Directors’ informal relationship with the unions. Therefore, despite their common agreement over the actual problem of leaked information, the Managing and Worker Director’s accounts differed significantly, indicating a notable divergence in their collective identities (in contrast to their claims for harmonisation) and a lack of agreement and trust between the two parties.

## **5. Conclusions**

### **5.1 Attitude Alterations at BusCo**

Harmonisation was therefore an important aspect of the Board's perceptions of the impact of employee ownership and control at BusCo. Significantly, the employee buy-out had resulted in a perceived reduction in the 'them-and-us' culture within the organisation, thus indicating an alteration in the collective identities of the major organisational networks. This had been achieved through a convergence of collective identities between management and unions, but notably without any claims made for alterations in how management (senior and middle) approached negotiations with employees. Therefore, identity convergence, as it was reported, had been provided by unilateral identity movement from the trade unions at BusCo.

Identity convergence at BusCo was described as a 'new realism' within the industrial relations sphere. However this new realism was ascribed solely to the unions, and the alteration in union attitude was attributed directly to the influence of the ESOP. As all employees were now company owners, this had apparently altered their attitudes towards industrial action. In addition, employee communications with senior management had been facilitated by the introduction of the four Worker Directors. The unions' understanding of the 'commercial realities' facing the company was therefore ascribed to an increased flow of information from management through these ESOP structures and representatives.

## 5.2 Informal Network Changes

These new communication channels between management and the union were largely informal and centred on the introduction of the Worker Directors and EBT1 and II. Consequently, the impact of the employee ownership and control had been felt principally on and through the informal networks at BusCo. The mechanism by which this had been achieved had been the alteration of how the formal decision-making and power structures within BusCo related to each other. While the company had retained its formal networks, the advent of the ESOP had apparently altered the informal network structures, resulting in a greater understanding between senior management and the unions. As there were no claims for modifications to direct communications between the formal networks involved in collective bargaining itself (in fact, the Board's testimonials asserted that this arena had experienced no alterations in conflict processing operations), the influence of employee ownership on collective identities at BusCo could therefore be said to operate principally through informal channels. The success of the harmonisation aspect of the BusCo ESOP was therefore dependent on a change in those communications processes that did not belong to the formal conflict arena. While the new ESOP structures had no formal industrial relations role, their impact was achieved through informal influences on relations between senior management and union personnel. The Worker Directors themselves reported that workers expected them to put pressure on the Board "to screw that group of people into actually doing something, coming to a compromise about the issue they're concerned about" (Worker Director Four).

Unsurprisingly, since the rationale for the establishment of the ESOP had been to protect the established formal networks and network positions, formal decision-making and power structures had survived the conversion process relatively intact. However, changes to the formal networks were reported – through the fragmentation of trade union solidarity within the organisation. This breakdown in company-wide union collective identity ran parallel to the increased representation of employees as individual shareholders and owners by the ESOP employee representatives (Worker Directors and EBTI and II). Therefore, the fragmentation of labour's collective identity could be associated with the growth in individualised relations between the organisation and the employees. However, to test the causal relations between these two occurrences, a processual approach to the study of relations at BusCo was required.

### **5.3 Evidence for Disharmony**

The positive presentation of the effects of employee ownership could not however prevent a few cracks from showing in this smooth veneer of harmony and there were a number of discrepancies in the perceptions of how employee ownership was influencing and changing the internal processes of the company. The continuation of the established mistrust between management and union was apparent in the narratives. The expected increase in employee loyalty with the introduction of employee ownership and control had not been realised at BusCo, instead there was a seemingly widening gap between ordinary employees and



management. Perhaps the most significant discrepancy in the accounts outlined was the distance between the claims for harmony and the suggestions contained within the narratives that collective identity convergence was only apparent at certain company levels, particularly at Board level. Below this, transformations in collective identities among employees and their management were not reported, resulting in new areas of tension within the company. The reality of organisational harmony was called into question on the shop floor and at middle management levels, where the effects on collective identity had been remarkably different, resulting in a polarisation of collective identities at these levels. Even at Board level, tensions were being created by the existence of the new ESOP structures. There was evidence that the reported harmonious relationship between the Managing and Worker Directors was not as congenial as they claimed. Significant areas of tension and mistrust were apparent concerning leakages of information and the mechanisms by which this information escaped.

Conflict between different collective identities within the company had therefore been relocated down a tier of the organisational hierarchy, to settle principally at the middle management/shop floor level. These conflicts were thus at a distance from the relatively more harmonious relations that existed between senior management and senior union personnel. However, the discrepancy between collective identity convergence and identity polarisation at these different organisational levels was also creating conflicts between ordinary employees and their union representatives. Employee ownership had therefore altered the collective identities of senior management and union personnel without apparently

making a deep impression on wider attitudes within the company as a whole. Consequently, the accounts given by the Board suggested that the leaderships of the union networks were diverging from the collective identities of their followerships. Significantly, in order to be re-elected, these union representatives relied on being voted for by their membership and therefore had to represent the interests and views of their followership. As the collective identity of the shop floor membership was apparently increasingly hostile towards any movement in the direction of harmony with management, this called into question the likelihood that union representatives could remain involved in harmonisation processes for much longer.

#### **5.4 Impact of the ESOP on Collective Identities**

To explore beyond what the board members themselves were willing and able to divulge about employee ownership, and to uncover why their narratives contained so many conflicting images of the effects of the ESOP, it was necessary to explore the underlying and subconscious reasons why employee ownership had such divergent images. To achieve this, a more systematic investigation of decision-making in BusCo was needed. The inconsistencies in the reported effects of employee ownership and the claims for a fundamental alteration in the collective identities of the management and union networks were impossible to explore or validate without observing the network processes themselves in action. The

informal network structures and the networked collective identities could therefore only be explored if the network processes could be observed in action.

Therefore, to examine BusCo's claims for employee ownership and control, further exploration was required in an arena where the network processes involved in the formalised and overt conflict forum of the industrial relations structures would be in action and observable. Consequently, a pivotal point of interaction between the representatives of the unions, management and ESOP was chosen for further research. To this end, a series of negotiations between management and the platform staff Central Negotiating Committee were observed. This processual approach meant that any effects of the ESOP on the collective bargaining structures and processes within the company, both formal and informal, and the impact of employee ownership on conflict and collective identities at BusCo, would become apparent.

# Chapter Six

## BusCo Network Dynamics

### 1. Introduction

This chapter deals with the network dynamics at BusCo through the medium of collective bargaining. The issues of harmonisation of industrial relations and of organisational conflict are dealt with through an examination of the collective identities of the management and union bargaining teams. The role of communication channels, formal and informal, in identity conversion processes in a formalised collective bargaining forum is discussed. The chapter suggests that communication channels are the basis of the influence structures that drive the identity conversion process. Special emphasis is placed on the trade union network at BusCo, as the initial data gathered (presented in Chapter Five) indicated that collective identity change of any significance had only occurred in this group.

The issue of identity conversion is paramount in this chapter, principally movement between an established adversarial identity and a more harmonious ESOP identity. Identity convergence between the management and union networks is examined in search of evidence of this harmonisation. Following this, the chapter turns to evidence of the continuation of conflict and analyses this through the frameworks of identity divergence and identity dissonance. The

evidence presented in this chapter suggests that, while employee ownership was the main influence in moves towards the convergence of collective identities at BusCo, it was also the source of new areas of conflict. It was precisely these new conflicts that caused the networks to reassess their new positions and return to their forfeited, pre-ESOP, identities and relationships. In particular, the discrepancies in the perceptions of the effects of employee share ownership, which were expressed by the Board (Chapter Five), become clear through the analysis of the negotiations process.

In the formal negotiating arena, the actualities of employee ownership were notably different to the ESOP rhetoric presented by senior management at BusCo. On the surface at least, established conflicts between management and the union continued unabated, with no apparent identity convergence between management and the CNC.

## **1.1 Background**

Early in 1996 the platform staff Central Negotiating Committee (CNC) was asked to consider a management proposal to expand the number and scope of 'low cost units', already operating in some garages, as a means of dealing with the fierce competition over local authority tendered work. The existing low cost units were located within the central district, City, but were only operated by BusCo's two subsidiary companies, Merryhill and Fastline. These two subsidiary companies operated out of a small City location called Halfway. Management's proposal

was to expand these low cost units to core BusCo operations. The use of the subsidiaries, each with different and low rates of pay, alongside the parent company had led to a confusing array of employment arrangements.<sup>1</sup> The Operations Director pointed out that,

The company has a problem of increasing costs and labour is our biggest cost. BusCo staff are already paid more than our competitors, and we want to expand the low cost units that *already* exist. What we plan is to expand low cost units to provide a lower cost arrangement than minibuses. The problem with minibuses is that the progression up the rates of pay increases costs. To keep work we need to have low cost units to compensate for the highest rate of pay. As far as tenders are concerned, they do not make much money but they do keep jobs and if these routes are lost we will lose income and we don't want to risk that.

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<sup>1</sup> Terms and conditions of service differed vastly between the core BusCo employee-owners and the employees of the two subsidiary companies. Drivers at Merryhill and Fastline started on a notably lower rate, had different grades of progression, and were faced with a progression ceiling – they could not reach the core BusCo senior rate of pay no matter what length of service. In addition, only the core BusCo TGWU branches had voting rights on the CNC, with the Halfway representative having only observer status and no voting rights. On top of this contrast of terms and conditions, drivers were also demarcated according to what type of bus was driven. Bus drivers were divided into three categories – minibus, bus, and big bus. BusCo minibus drivers could gain the senior rate of pay without having to move up to driving big buses.

## 1.2 Union Negotiating Team

Management's proposal, and the subsequent negotiations, occasioned the formal assembly of the Central Negotiating Committee over and above its regular monthly meetings for a period of six months. During this period, the drivers were balloted three times: initially on management's first amended proposal, for a second time on a further negotiated proposal, agreed by both management and CNC, and for a final time on strike action. At the first meeting in this series,<sup>2</sup> the matter of extending low cost units to the peripheral garages was raised as part of the standard CNC agenda. Even at this early stage, an indication of the conflict that was to dominate the negotiation process was evident. As this was a regular CNC meeting, without an activated negotiating duty, the structure and process of the meeting has been taken as the point of departure - for the terms of this analysis - for what occurred during the negotiations. A microcosm of the interplay of the different structures and processes of communication at BusCo was apparent from the very start of the industrial relations situation in which the company found itself, early in 1996.

The CNC was composed of Transport and General Workers Union<sup>3</sup> Branch Secretaries, Chairs and other officials from the four regional centres served by the company, City, Southton, Weston and Easton (Table 1).

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<sup>2</sup> 30<sup>th</sup> January 1996.

<sup>3</sup> TGWU membership among platform staff stood at 99%.

**Table 6.1 Central Negotiating Committee Structure**

<b>Branch</b>	<b>Name</b>	<b>Position Held</b>
City	Wilf	Branch Secretary, CNC Vice Chair, EBTI Chair,
City	Mike	TGWU General Council
City	Mick/Tony	
City	Ron	
City	Saul	
City	Calum	
Weston	Alf	Branch Secretary, EBTII Chair
Weston	Darren	
Easton	Mark	Branch Secretary, CNC Chair
Easton	Stan	
Southton	Ewan	Branch Secretary
Southton (observer)	Tim	
Halfway (observer)	Barry	Branch Secretary
	Chris	Worker Director
	Dan Evans	Worker Director
	Jerry	TGWU Full-time Officer

Under normal circumstances, the CNC met every six weeks, and the numbers of officials representing each location depended on the size of that location. Six representatives were drawn from the largest regional centre, City, plus one from a central satellite site, Southton. There were also two representatives each from



Weston and Easton. In addition, there were two (non voting) observers, one from Southton - to ensure a fair representation of views from that depot, and one from the TGWU branch representing the BusCo subsidiary companies, Merryhill and Fastline. On top of this, the two drivers' Worker Directors and the TGWU Full-time Officer attended the meetings in an advisory capacity. The Worker Directors themselves were selected by the CNC to represent employee owners in management meetings and on the Board of Directors. Each worker director had a two-year period of service, at the end of which they came up for re-election.

CNC members also sat on the Boards of EBTI<sup>4</sup> and EBTII. Ten of the twelve EBTI directors were senior shop stewards, with an EBTI representative in each garage. The Chair of EBTI, Wilf, was also Vice Chair of the CNC. The EBTI met once a month and followed the same agenda as the preceding Board meeting. In addition, it had power of veto over certain company decisions concerning the sale of the company or major financial issues "to give shareholders protection from themselves and from other outside influences" (Dan Evans). The EBTI trustees also appointed the directors of EBTII, which was a much smaller group of only three directors,<sup>5</sup> of which the Weston branch Chair, Alf, was Chair. As a warehouse for BusCo shares, it bought shares from leavers and reissued these shares at the end of each year. The EBTII consequently met only twice a year to confirm the share allocations.

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<sup>4</sup> EBTI held 26% of the total company shareholding. Individuals within the company held 54%, and FirstBus held 20%.

<sup>5</sup> Two senior shop stewards and one senior management.

The CNC meetings to address the question of low cost units were held at the company's central (City) depot. The depot, a large bus warehouse, had its administrative and social facilities spread around its rim to make way for the teams of 'deckers' which were parked, refuelled and repaired in its vast interior. The various trades occupied separate spaces, the engineers had their own mess room, the managerial and clerical staff worked on the ground floor, and the drivers by their sheer numbers dominated the canteen on the first floor. The union meeting room was the only other room on the first floor, immediately adjacent the canteen. While relatively spacious, the room itself was purely functional and doubled as a storeroom for spare canteen chairs - which were stacked up around its walls. Light entered the room from four high windows along one wall and, apart from the canteen chairs, it was furnished with tables and chairs arranged in a circle, and a telephone.

Without exception the Chair and Vice Chair of the CNC and TGWU Full-time Officer sat at the far end of the room, facing the door, with the Worker Directors or the management team occupying the opposite side. The representatives of the City and Southton districts sat facing the windows, on the Chair's right hand side, while Weston and Easton representatives invariably sat to the left of the Chair.

### **1.3 Management Negotiating Team**

The management team were led by BusCo's Operations Director, Owen Jones. Apart from the Operations Director, the management negotiating team was not a

fixed group of personnel but was drawn from a flexible pool of middle management, consisting of garage managers and Personnel staff. While there were only limited informal relations between the management and union networks, the formal relationship in the collective bargaining sphere was well established and understood by both negotiating parties.

#### **1.4 Established CNC Collective Identity**

While the CNC itself constituted formally a whole and unified collective identity, within the CNC the branch officials also defined their identities informally in relation to their specific work locations, and the close personal ties these produced. The Committee structure, with its separate area reports, highlighted the recurring issue of regionality throughout the course of the negotiations. It was significant that the issue of low cost units was introduced first as a regional problem and only later, following a collective identity alteration, as a company-wide matter. That it was first brought up as a divisive issue highlighted the regionally divided nature of the group.

In addition to the BusCo branch structure, a wider influence was at work on CNC collective identity. While the structurally defined regional divisions within the committee ensured that these antagonisms were expressed at a localised level, broader concerns connected with a general dissatisfaction with management united the CNC. These broader concerns linked the BusCo TGWU representatives into the wider TGWU and the wider labour movement. The

identity of the CNC itself was therefore also influenced by concerns and issues beyond the scope of the company, linked to broader issues of the relationship between labour, capital and the state. These matters were directly fed into the CNC through two principle routes. Firstly, through each representative's individual membership of the TGWU, and therefore their identities were formed by an organisation which held influences and concerns outwith their single company. Secondly, one CNC member, Mike, sat on the TGWU General Council and was therefore directly involved in these wider influences and concerns.

Standard to all CNC meetings, a representative reported from each of the four locations, City, Weston, Easton and Southton. While the official rationale for the reporting system was to highlight area-specific problems and share advice, their actual function was to express and share a general disenchantment with BusCo's management. The one common theme running through all four area reports, each of which contained area-specific problems, was an anti-management concern<sup>6</sup>,

**Alf**, "There's been an increase in assaults, and management have fobbed off employee concerns"

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**Wilf**, "Management are doing it area by area - we should get the branches together on this ... on the issue of assaults, I have written to Owen Jones requesting a meeting; one *again* that we haven't had a reply to"

On the same theme, the Branch Chair of Southton, Ewan, added,

“We are sick and tired at Southton that any legitimate approaches about problems, we are constantly reminded that that would increase costs, and all we get from management is ‘we’re sorry we kept you open’ and I says and that’s not the way to conduct industrial relations”

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Mike, “Management insistence on low cost units using Fastline and Merryhill is a ploy to break the CNC and the CNC *must* have the right to negotiate for all drivers”

Therefore, there existed an established, adversarial ‘them-and-us’ identity to the relations between management and the drivers’ union, one typified by the CNC’s general mistrust of management. Jerry, (TGWU full-time officer) localising the ‘them-and-us’ theme, further implied that the management at BusCo were using union members to “prop up their own jobs and pay”. He indicated that the introduction of more low cost units issue was a ploy by management to protect their own members, and their own incompetence. The impression given by the union group was thus of the duplicity, implied laziness and ineptitude of BusCo’s management.

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<sup>6</sup> Collections of related quotes illustrating a point are separated by an asterisk between quotes, where not separated by an asterisk, quotes are sequential.

## 2. Influence of the Formal ESOP Structures

### 2.1 Appearance of Harmony

However, in line with the Board's reported impression of the influence and effect of the BusCo ESOP,<sup>7</sup> employee ownership did appear to have had an influence on the industrial relations and collective bargaining sphere within the company. A particularly strong influence of the ESOP on the formal negotiating procedures had been the CNC's belief that the existence of equal ownership of the company would alter management's attitude towards the employee body within BusCo. In effect, they hoped that employee ownership would alter the collective identity of the management group, and thus their actions within the collective bargaining sphere. These collective expectations of the CNC (associated with the establishment of the ESOP) had caused the group to withdraw from overt conflict with management. In this belief, at the outset of employee ownership, the CNC had altered its formal attitude towards the negotiations process and had consequently held back from directly challenging management on many collective bargaining issues. However, experience since the buy-out had shown that, despite employee ownership, management's attitude and behaviour had not been changed,

**Tony**, "The management, from the supervisors upwards, are now treating drivers badly and it's getting bad at the moment. It's also because the trade union are letting too many things go by unopposed"

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<sup>7</sup> See Chapter Five

A policy of identity divergence was therefore being re-adopted by the CNC as a direct response to managements' failure to alter their own collective identity towards that of the trade union's. Jerry, frustrated by management's unaltered negotiating attitude, exclaimed,

“In negotiations the management team are at one end of the table with an agenda and they have another one in the bag, and it pisses me off. It is an employee owned company therefore management has responsibilities but they have not changed one iota - they are the same as FirstBus and Stagecoach. All along they're taking it to the line and I'm absolutely appalled that he's try to create confrontation and set us on the road to industrial action”

The union was therefore frustrated with managements' developing policy of bypassing the formal collective bargaining channels that involved union representatives, thus reducing the formal influence wielded by the union bodies. The members of the CNC also believed that they, themselves, had allowed this situation to develop within the formal collective bargaining structure.

Management's proposal to extend low cost unit coverage throughout the company therefore proved a timely opportunity for the CNC to avenge themselves of the humiliation they had allowed management to heap upon them through their own altered approach to collective bargaining since the buy-out. The general feeling expressed by the union group was of a need for a strong arm response from the

CNC, since management had grown in influence not through its own endeavours but by capitalising on the CNC's withdrawal from formal conflict with management. The solution suggested by sections of the CNC was to remove the problem managers and replace them with staff more amenable to the goals of the union. Notably, this strategy did not in any way involve an alteration to the CNC's attitudes towards management or in their collective identity. While this solution was rejected as unworkable, it did represent the union's hopes of securing a more harmonious relationship within the industrial relation sphere, one which could be achieved without involving any identity alteration by the union.

The impact of the ESOP on the formal collective bargaining sphere had therefore been to remove the collective resistance of the union to management,

Wilf, "Management are trying to make people feel elitist ... negotiating is being forgotten on items like this - we're being inactive!" .

However, the framework of understanding for BusCo negotiations had not altered, only the CNC's willingness to engage in conflict. The ESOP-engendered appearance of harmonisation had occurred while leaving both formal networks' collective identities unaltered, therefore the CNC's negotiating procedures had changed but not their attitude towards management. The belief that the ESOP could achieve harmonisation without an alteration in CNC or management collective identities had thus fed on and perpetuated the union's feelings of alienation from management. While the realisation that the negotiations remained



largely unaffected by employee ownership was a disappointing realisation to the CNC, it was one that the union had a large body of experience to fall back on to deal with. Accordingly, the CNC had opted to re-establish their influence and presence in the formal collective bargaining sphere.

As a result of the unaltered nature of management's formal collective bargaining attitudes and strategy within BusCo, the CNC's intention to 'get tough' was an expression of its desire to reassert the legitimacy and importance of the formal union communication channels. To re-establish the centrality of these channels the CNC was resorting to established, adversarial forms of conflict resolution,

**Wilf, "Management are headstrong because the lean time is over and we need to get headstrong now too because it's not just a management company"**

Due to the CNC's attempts to reinstate the established formal collective bargaining patterns and routines, overt mistrust of management was being re-established as a negotiating framework. Consequently, an atmosphere had evolved within the CNC where new ideas outside established routines and responses were suppressed. When management failed to operate as the CNC expected within the established collective bargaining sphere, this was taken as a deliberate provocation to the union, challenging the legitimacy of its formal communications role within the company. This prompted a number of angry outbursts from the CNC,

Tim, “This is not just a management company!”

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Ewan, “A lot of people at Southton put hard work in at Southton to make it work, but not if industrial relations are thrown out of the window. The constant fear of closure is held over our heads”

The image of harmonisation between management and union had therefore been transient and misleading. As the union’s expectations of employee ownership (in the industrial relations sphere) had not been met, and the CNC had realised no traditional gains from their altered approach, the influence of the ESOP had therefore been to occasion first apathy and subsequently increased militancy within the union. What the ESOP had not achieved at any point leading up to the low cost unit negotiations was the harmonisation of the goals or collective identities of management and union.

The apparent harmonisation of industrial relations during the initial years of the ESOP had therefore occurred not through any convergence in collective identities, but through the CNC’s altered industrial relations strategy at that time. The *expectations* of employee ownership, not the new ESOP structures in themselves, had altered CNC behaviour. Unsurprisingly, based on the perceived abuse by management of the union’s ESOP-engendered collective bargaining approach, the need to reinstate the established formal collective bargaining framework was cited by the CNC as a primary objective in the conflict resolution process. In this instance, the decision to return to established processes must be seen as a negation of the influence of the ESOP over CNC actions.

## 2.2 Use of Formal ESOP Structures

While employee ownership had the potential to alter the structure of industrial relations, through the addition of further formal channels of communication between union and management representatives, the ESOP was mentioned extremely rarely in the negotiations, and significantly only by the union representatives and never by management. The ESOP did however play a formal role, in so much as the established formal negotiating structures were overlapped by newer, formal ESOP structures, the EBTI and EBTII. These ESOP structures represented employees as equal-rights shareholders in the company and communication via EBTI with the shareholders ran parallel with communications between the union and its membership via the CNC.

Formal input from the ESOP was integrated into the CNC through reports to the committee from EBTI, EBTII and the worker directors. The CNC Vice Chair, Wilf, was also Chair of EBTI, while Alf, Weston Branch Chair, was the Chair of EBTII. In addition, the majority of the remaining CNC members were also EBTI trustees. It was the Chair of EBTI, in his role as Vice Chair of the CNC, who initially suggested using the formal ESOP channels of communication to address the problems that the union was experiencing with BusCo's management. In his role as bridge between EBTI and the CNC, Wilf represented the integration of the established collective bargaining formal structures and the imposed employee-ownership formal channels,

Wilf, “We should petition the shareholders on the way management is treating workers, and also EBTI should send the worker directors to raise it at the Board”

Saul, “It’s a problem with one manager”

Wilf, “We could raise it at EBTI”

The formal ESOP structures were therefore being used by the CNC to strengthen its own collective identity and associated goals. In this respect, the mechanism by which the ‘ethos of the ESOP’ (or ESOP-identity) was to achieve a harmonisation of identities at BusCo was through an alteration to management and to management’s collective identity, while leaving the CNC’s collective identity unchallenged. The CNC’s conception of the ‘ethos of the ESOP’ therefore included a movement towards a unitarist identity for the organisation, but one which mirrored the CNC’s established identity and goals. However, significantly the attempts made to explicitly introduce ESOP structures into the negotiation process were repeatedly ignored and rejected by the CNC members, and quickly discarded in favour of established adversarial channels.

Yet, however modest their impact, these new formal structures of representation and communication had been inexorably imposed on the established industrial relations structures at BusCo. While the formal ESOP structures appeared to be incidental to the formal negotiating process and were peripheral to the thoughts of the majority of those involved in the negotiations, they did play a formal

negotiating role. The realised impact of the formal ESOP structures was occurring not through an increase in harmonisation in the collective bargaining sphere, but by incorporation of the ESOP structures into the established, adversarial them-and-us framework for the negotiations. The ESOP was being utilised as a union tool with which to expose management's 'dishonesty' in not adopting what the union conceived of as an ESOP identity. In his communications with management, the TGWU Full-time Officer emphasised that the management policy of lowest pay was "Against the ethos of the ESOP". By using ESOP rhetoric as a stick with which to beat management, the overlap between the established and new formal structures was completed through the CNC incorporating the ESOP into its traditional opposition to management. The 'ethos of the ESOP' cited by the CNC was therefore an ESOP-identity which involved management identity alterations towards the goals of the union and not vice versa.

Ultimately, however the CNC rejected the use of the formal ESOP channels and continued with a promise to increase its militancy within its established pattern and routine of tackling management-union disputes. While the formal ESOP structures had impacted on the CNC through the addition of new formal networks and roles to their portfolio of communications, the extra ESOP networks had resulted in no real changes to the established formal negotiating framework at BusCo. Therefore, despite the overlap between the formal ESOP structures and the formal negotiating networks, the unions remained suspicious of these ESOP structures. With the continued, unaltered existence of the various established formal communication channels and structures within and around the CNC, it was

unremarkable that a 'them-and-us' relationship - based to some degree on cynicism, muscle-flexing and power play – had remained central to the industrial relations picture,

**Wilf** “We left ourselves in limbo at the last meeting. We need a definite action plan for today's meeting with management. If it's not accepted by management then we must go for industrial action”

It was clear that the additions to the formal network structures occasioned by the employee buy-out (the shareholder representative bodies) had not affected - in the formal sphere - the established relations between management and the CNC. While employee ownership had generated an increased amount of information sharing, this had not significantly altered the fundamental form of direct relations between management and the unions in the collective bargaining forum. They were still communicating - and blocking communication<sup>8</sup> - along established routes and within established patterns of interaction.

### **2.3 Established Conflicts Continue**

While the formal network structures at BusCo had been enhanced by the advent of the ESOP, this had only marginally affected the functioning of the industrial relations structures. Even though the employee buy-out had occasioned the introduction of new formal structures of representation, formal communications

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<sup>8</sup> For example, managements' failure to respond to communications from the union.

between management and union had continued to follow established routes and patterns within established collective identities.<sup>9</sup> It was not surprising therefore that established conflicts continued to manifest themselves in the negotiations,

**Jerry**, “What you have been observing is a standard negotiating procedure here - to the precipice each time and then withdrawing.

Other companies take a more conciliatory approach”

Established relations in the collective bargaining forum at BusCo between the platform staff and their management were therefore typified by a dichotomous relationship of identity divergence between the two formal networks. Embedded mistrust characterised the formal relations between management and CNC,

**Alf**, “They've always got another document, they always start with the lowest offer”

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**Stan**, “You can't just go - it's part of the psychology. Once you go they know they've got you”

**Alf**, “This is standard management practice”

**Darren**, “There's more time spent in recess during meetings than in meetings themselves”

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<sup>9</sup> The apparent harmonisation of industrial relations during the initial years of the ESOP had occurred not through any convergence in collective identities, but through the CNC's altered industrial relations strategy at that time.

Consequently, a 'quid pro quo' framework continued to typify negotiations at BusCo, where the agreements reached were based on identity divergence not convergence and where the satisfaction of one group could only be achieved to the dissatisfaction of the other. The negotiations were therefore formulated around a win/lose framework not a win/win approach,

**Alf, "Where's the next one?"**

**Owen Jones, "Trust me, there isn't one Alf. The alternative is to expand Merryhill drivers at current rates. You wouldn't like it. You'd run away and complain and do things I'd expect you to do"**

## **2.4 Summary**

Notwithstanding the fact that the employees and managers were equal partners in the ownership of the organisation, the dissatisfactions expressed by the CNC within the collective bargaining sphere were situated within a traditional adversarial relationship between workers and management. The CNC were therefore primarily concerned with monitoring the influence of management within the accepted and established formal spheres of influence within the company. Jerry demonstrated this negation of the influence of the ESOP through repeatedly references to the BusCo management as "the employer",

**Jerry, "The employer is failing in its duty of care"**



As an employee-owned company with equal-rights ownership regardless of formal hierarchical position, the 'employer' at BusCo was in reality the employee body - when in fact the full-time officer was referring to the company's management, not its owners.

In the same vein, the CNC were also of the habit of referring to the company as 'them' or 'they', and not as 'us', so maintaining the established 'them-and-us' atmosphere within which collective bargaining had developed at BusCo,

**Mike, "a low paid BusCo would mean that they couldn't attract the staff"**

Within the formal collective bargaining sphere there was therefore a negation by the CNC of the formal realities of employee ownership. That the management was not in fact the employer within an employee-owned organisation was overlooked in favour of maintaining established spheres of influence and adversarial patterns of interaction between the CNC and BusCo's management. As the union's expectations of the impact of employee ownership and control on management's attitudes and identity had not been realised at BusCo, harmonisation was not associated with the formal influences of employee ownership and control at BusCo.

### **3. Influence of the Informal ESOP Structures**

The ESOP did, however, have an influence on altering the established form and procedures of the negotiations but this was not to be found in the formal collective bargaining sphere. The failure of the negotiating parties to reach an agreement over the low cost units issue, and subsequent extension of the negotiations into February, occasioned the worker directors to intervene and conduct informal discussions with both groups involved.

Through the influence of worker-director-led informal discussions, held outside the formal negotiations forum, there was evidence of nascent identity convergence between the two formal networks involved in the negotiations. The achievement of the worker directors was to broaden the scope of the negotiations beyond established topics and therefore beyond the matter of extension of low cost units to core BusCo operations and to the peripheral garages. Through the informal advocacy and facilitation of the worker directors, the formal networks agreed to address the wider issue of company labour organisation and costs.

The basis for the informal influence of the worker directors was drawn from a number of sources. Both the platform staff worker directors had close historical ties with the CNC, having sat on the committee as branch representatives. Their histories as TGWU shop stewards (Dan at Weston and Chris at Easton) provided them with strong and well established informal ties with the CNC members. While formally, the worker directors were linked to management through their positions as company directors, in the formal collective bargaining sphere the worker

directors and management team had no formal relationship. However, the relationships established round the Board table and through committee memberships provided the worker directors with informal links to the management negotiating team members. These close links to both the networks involved in the negotiations gave the worker directors informal access to the formal collective bargaining sphere, but with no formal negotiating right or role. Yet, their informal authority provided the worker directors both with an outsider's view of the negotiations and with a formally neutral role.

Coupled with the informal authority to influence the negotiations framework, the worker directors' ESOP positions provided them with an alternative identity to their union or management colleagues. In the cases of the EBTI, EBTII and management links with the CNC, there was formal representation on or to the CNC - the EBTI and EBTII representatives were members of and had voting rights on the CNC, while the management team had official rights to negotiate with the CNC. Where the worker directors' role differed was that they had only observer status on the CNC, with no voting rights or official role in the negotiations. Their identity was therefore formulated from different structures and relationships, namely that they represented an alternative ESOP identity. This alternative ESOP-led identity was also based on the belief that a collective unitarist identity was a possibility for the entire organisation, but unlike the harmonisation mechanism assumed by the CNC, the worker directors' harmonisation strategy involved collective identity alterations from both management and union. Such an identity convergence mechanism would involve both union and management relinquishing their established collective identities and re-establishing a new common collective

identity as co-owners of the organisation. This alternative ESOP-identity was used by the worker directors to facilitate a new ESOP-led framework of understanding for the negotiations.

The neutral and external position of the worker directors with regard to the formal negotiating groups and procedures, coupled with their ESOP-led framework of understanding, enabled them to take a more holistic view of the low cost unit issue. The worker directors' solution to the low cost units problem was therefore not situated within the dialectical 'them-and-us' negotiating framework but was premised upon an alternative understanding where the goals of management and union were commonly held. Their solution, while still presented to and remaining within the formal collective bargaining arena, encompassed and encapsulated an alternative framework of understanding for the negotiations. This was indicative of a new (to BusCo) ESOP identity, premised upon an understanding of management and union where all shared a common identity as owners of the organisation, and not as employer and employee.

Within this altered negotiations framework, the CNC identified two issues of core importance to the trade union: a minimum rate of £4.05 an hour; and the matter of progression of drivers through to the senior rate of pay. The new proposal<sup>10</sup>

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<sup>10</sup> The proposal involved internal company reorganisation, bringing into the core BusCo operations those drivers who were working for BusCo's subsidiaries. These drivers received less pay and poorer terms and conditions (less sick pay, holidays etc.) than BusCo drivers, even though they had the same duties. The new plan incorporated them into the core drivers' group on the lowest pay rung, but with better terms, conditions, and promotion than they presently had. On top of this, the proposal suggested withdrawing the demarcation lines between drivers' jobs so that any driver would drive any bus, big bus to minibus. This would deliver cost savings through increased flexibility and therefore extra staff would not be needed for cover.

incorporated the savings required by management for the tendered routes without the introduction of the low cost units, and also included the incorporation of BusCo subsidiary company employees into the employee-owned core. The worker directors' solution consisted of staff at four different pay grades, and a progression between each level.<sup>11</sup>

### 3.1 Identity Convergence

Since the role of the worker directors in the collective bargaining sphere was entirely informal, access to information and negotiations influence was also informally based,

**Dan**, "May I speak? I have had informal discussions with myself, Chris and Paul Smith [management representative], and I would like to show you what we've come up with"

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<sup>11</sup> The worker directors' proposal involved three rates of pay at BusCo:

- New Starter (£4.05 with three weeks holiday),
- Level Two (£4.29 with four weeks holiday)
- Established BusCo rate (£4.79 with five weeks)

There would be no progression to the current BusCo senior drivers' rate. As one New Starter moved up to Level Two, one Level Two employee would move to the BusCo rate. Progression would be by numbers not years, but if there was no turnover of staff after two years, a driver would automatically move up to the next rate. Within some garages, there would remain a proportion of staff in the low cost units (new starters at £4.05 with Merry Hill sick and holiday pay). Garages would decide what routes to operate as low cost units, negotiated locally. All drivers would drive any type of bus. The subsidiary companies would cease to exist and become part of BusCo.

The underlying rationale of the worker director's informal intervention in the negotiations was based on an agenda to alter the negotiations framework, and thus to facilitate identity convergence between the management and union formal networks. The common framework of understanding between two formal bodies was significantly different to that established informally between the worker directors and the formal networks. While the formal collective bargaining framework was an established dichotomous and conflictual relationship, the worker directors' informal relationship with the two networks was led by their understanding of the 'ethos of the ESOP', where every member of BusCo shared the same goals for the company.

The tangible element of the worker director's ESOP-led collective bargaining framework alteration was the introduction by the worker directors of a new way of solving the negotiations deadlock,

**Dan, "The worker directors were unhappy with managements' document and have tried to come up with a new alternative that is less difficult in all respects"**

However, given the formal decision by the CNC at the outset of the negotiations to realign themselves with their established, adversarial collective bargaining patterns and routines, the worker directors' attempts to construct an alternative framework for the negotiations (based on union identity alterations) was initially met with union resistance. Yet, despite the group's reservations, the CNC Vice Chair encouraged a conciliatory approach towards the worker directors. However

he was quick to point out that he believed it to be a risky approach and was willing to fall back on tried and tested means at the first sign that the alternative would not work,

**Wilf**, “I want to hear from Dan and Chris first and if their idea is not different or acceptable then I will support a ballot”

### **3.2 CNC Collective Memory**

But the collective memory of the CNC, scorched by its humiliation at allowing management the upper hand in the collective bargaining sphere, was not readily persuaded,

**Saul**, “There is a possible problem with this idea: a similar idea has been tried once before!”

Where the union had attempted harmonisation before, their collective memory was therefore one of failure and this coloured how the worker directors’ alternative was received. To distance this new idea from the negotiations that had gone before - both in this round and in previous years - Dan emphasised that the worker directors had “tried to start again”. Their solution was presented as something untainted and new, with no one’s fingerprints on it yet,

**Dan**, “The worker directors have spent hours listening to things people have said to us and we are just turning things on its head, a different angle - it is only an idea, a starting point. We are only trying to help and assist the CNC with a position that is a problem”

Yet, the alternative identity frameworks of the worker directors and the CNC, coupled with the historical anxieties that the CNC felt, coloured their reception of this new proposal. In this light, the innovative nature of the pay level restructuring solution was seen as a threat to the union position,

**Ewan**, “In the past such alternatives haven't worked so why should this? In the long term if it does work we will be stronger - it has very strong points to it”

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**Mike**, “You've discussed with Paul Smith, but we negotiate with Mr Jones, what authority does Paul Smith have?”

**Ewan**, “Has Owen Jones had an input?”

The worker directors responded by reassuring the CNC that control would remain in the union's hands only and, to reinforce this, pointed out that the ideas contained in the new proposal themselves were not new - they were the CNC's ideas and therefore the CNC should be able to support them without fear,



Dan, "Owen Jones knows *fully* of the ideas because the ideas I've picked up are ideas *you've* floated round the table"

To overcome both the CNC's collective memory of failure and the tension between the worker directors' and union's identity frameworks - and thus to dissolve the group's resistance to the new proposal, the worker directors used two approaches. The first was to persuade the CNC that ownership and control of the new proposal would remain in their hands. The worker directors therefore supported the CNC's moves and confirmed that if the union decided to pursue a strategy of identity convergence, and yet the scheme failed to achieve what the union wanted, it would be the failing of management and not the CNC. This point was largely accepted by the CNC. Jerry promoted the worker directors' new proposal by pointing out that any movement from there on in would be "the CNC's initiative" and ownership of the proposal would rest with the CNC and not with the worker directors. Therefore, any influence accrued would be to the CNC alone,

Jerry, "If the committee feel they want to go forward with the worker directors' option and management are aware of it, I hope the CNC and the worker directors take the initiative and put some proposals together. Therefore it will be the CNC's initiative, putting a document forward. Then this committee gets a document to present to management with "that's our proposal", therefore there will be qudos for the committee because the latest idea is a damn sight better than *this!* I suggest that we phone Banks and tell him that the CNC is drawing up a document"

The worker directors' second strategy was to play on the CNC's fears of its current weaknesses and failures. To persuade the CNC to accept the new identity conversion framework, the worker directors had to highlight the danger of divisions within the employee body - using this as a scapegoat for the union's problems. If these divisions were to be resolved then the union would automatically be stronger. But, to resolve these divisions, the CNC would have to alter their collective identity. The worker directors therefore emphasised the advantages of accepting the new framework of understanding and the worker directors' proposal,

**Dan**, "That's easily solved and I agree with your sentiments but we have the anomalies now, and lets *utilise* and move through these anomalies. Lets look at it in its totality. Our idea is the minimum position, but all in Merry Hill and Fastline will immediately jump up to BusCo"

**Jerry**, "I would like to congratulate Dan and Chris on their idea and I support the restructuring of wage rates and the incorporation of the separate companies and I consider that the idea is a good negotiations starting point and principle"

**Dan**, "We've shown management savings within the system, it needs flexibility addressing and once the company is profitable we can aim for the senior rate"

**Jerry**, “The worker directors have provided a laudable alternative, and it would be folly to ignore it because we want meaningful negotiations with the company. And that this proposal is not the tablets of stone. This is a positive proposal and I back the worker directors putting it to Owen Jones to break the impasse”

**Wilf**, “It's something worth looking at, but don't let's get carried away with this and Jones won't run with this as it is on the board. I think Dan should phone Jones to see how he has interpreted the proposal”

**Mark**, “I suggest that Dan sorts it out, and that we meet again on Friday the first of April at Olive Grove”

By accepting the worker directors' alternative proposal, one formulated within a radically different identity framework to the CNC's established pattern of responses to management proposals, the informal authority of the worker directors had therefore been ratified by the CNC.

### **3.3 Summary**

The Board's rhetoric and assertions of harmonisation therefore appeared to be supported on two counts. Firstly, by the CNC's admission that they had withdrawn from collective, formal conflict with management as a direct result of

the employee buy-out. While this diminution of conflict in BusCo's industrial relations had proved to be a temporary phenomenon of employee ownership, it was being replaced by worker director-led moves towards organisation-wide identity convergence. This second aspect of harmonisation was demonstrated by the informal influence of the worker directors over the formal collective bargaining framework. The approval by the CNC of the worker directors' alternative solution to the low cost units issue was indicative of a move away from an established, adversarial identity towards the worker director-led identity convergence ESOP ideology.

However, this apparent harmonisation constituted just the first level of the ESOP influence. If this were all that was observed at BusCo one could conclude that the ESOP had been successful in reducing conflict within the organisation. However, further investigation of the formal and informal social networks which made up the negotiations relations at BusCo indicated that the image of harmonisation was just that, an illusion, and conflicts continued to be expressed and generated within the collective bargaining sphere.

## **4. New Areas of Conflict: Identity Divergence**

Despite the indications of harmonisation at BusCo, and however strong and persuasive the informal influence of the worker directors over the CNC, it was not sufficient to broker either an immediate or a harmonious resolution to the conflict. By March, management had responded to the CNC's alternative proposal with a plan of their own. While the management alternative incorporated the CNC proposed removal of driver demarcation, it did not include employee integration into BusCo, or the issue of progression to the senior rate of pay, and offered a new starter rate of £4 where the CNC had proposed £4.05. The result was the creation of fresh areas of conflict within the collective bargaining forum.

### **4.1 Management Identity Unaltered**

It was clear that the informal influence of the worker directors over senior management's actions in the formal collective bargaining arena was significantly weaker than their influence over the CNC. Consequently, management demonstrated no formal evidence of adopting a new ESOP-led identity for the negotiations, and therefore no identity convergence with the trade union was evident in their document. Accordingly, they had responded to the CNC's new proposal within the established, traditional pattern,

**Ewan**, “The basis of the document is no different to Chris and Dan's idea but the substance is very different! The detail doesn't bear looking at and he has got to have something else up his sleeve. As it stands it's a nonsense”

**Darren**, “He's reading the same script [as previous negotiations], they've no idea what to do. They haven't come up with any original ideas of their own”

**Alf**, “He's kidding with this! We don't want tenders if they are at £3.30! At least not at Weston, Powells can have it! Dan's idea was better and simpler!”

**Darren**, “I don't know why they don't just start with their proper document. It'd make things a lot quicker!”

**Alf**, “Managements' document is an insult. He's just gone down one avenue and there are other avenues he can go down. We should go to a ballot right away”

## **4.2 CNC Identity Restoration**

This gap between the identity convergence overtures of the CNC and management's use of the established collective bargaining framework of

understanding, and its roles and routines, created within the CNC an entrenchment into those very established patterns and understandings. As a result of managements' unreconstructed response to the CNC's attempts at the worker director's new ESOP-led identity framework for the negotiations, the two networks were re-experiencing identity polarisation - falling back into established, even caricatured, roles and conflict patterns. Consequently, they re-engaged in standard collective bargaining tactics within the, formerly abandoned, established collective bargaining framework. As the resulting identity divergence between the two formal networks re-established traditional areas of conflict between the groups, Wilf waved management's document in the air,

“This crap! I've better things to do, take it back to the membership and get on with it!”

**Jerry**, “It's no way to carry on industrial relations - it's not a two-way situation, no discussion. Will the Committee endorse me in writing to Owen Jones?”

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**Alf**, “The management use and abuse and then chop the legs off when they start demanding. They use us and then kick us in the balls!”

While management had taken on board the CNC's document, which was based on a premise of identity convergence, they had altered it to fit their own collective identity - which remained unchanged and unconverted. Such a management

response matched the Board's reported perceptions<sup>12</sup> of the mechanism of harmonisation under employee-ownership. For management, harmonisation was achieved not through alterations to their own goals and ideologies but through an alteration to the union's collective identity in order to bring it in line with management's goals. The influence of the worker directors over BusCo's management had not therefore been sufficient to engender compliance with the worker directors' conception of ESOP-led identity convergence by both management and trade union.

By adopting the worker directors' identity convergence mechanism, the CNC believed that they had moved their aims towards those of management, had made an attempt to address management's cost reductions, and that their new document had presented BusCo with unique opportunities. However, management's unaltered collective identity had failed to recognise these changes,

Stan, "There are as many different groups in [management's] proposal as we've already got, this was *not* the idea. There is an opportunity here to rectify many problems. The cost is that some will loose a few days but in the end they will keep their jobs. The document is a bloody hodgepodge and I don't think they're capable of arguing it!"

The resultant atmosphere within the CNC was one of outrage and also surprise that the CNC's new proposal had been rejected. The union group became

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<sup>12</sup> Chapter Five



increasingly concerned that they were receiving a restricted flow of information from management and this suspicion directly informed the CNC's return to a strategy of identity divergence. Doubts were expressed about the veracity of management's figures, and suggestions made that management had deliberately calculated them to represent a particular, erroneous picture to the CNC. While this fear of management's agenda was running particularly high among the CNC members, it also served a purpose. The CNC needed to cultivate a suspicion of management in order to vindicate their return to an identity divergence strategy. While management was secure in their collective bargaining strategy, since it was firmly situated within the established framework of divergent identities, the CNC on the other hand had become involved in an attempt to reconstruct the general collective bargaining framework. This alteration had taken the CNC outwith its usual, established negotiating patterns and, while it had allowed them to present new ways of resolving the low cost unit problem, without a corresponding response from management the CNC believed that their new offer was simply playing into the hands of management. At the root of this was a fear of their ability to share power (even with employee ownership) with management,

**Mike, "We've got ownership but no control"**

The disappointment at managements' response (due to the worker directors' inability to secure the new ESOP-led identity for the negotiations) could not fail but remind the CNC of the former strategy which it had adopted with the establishment of the ESOP, of retreating from formal conflict. At that time, the ideology of employee ownership had encouraged the union to withdraw from

formal collective conflict with management. Managements' current response to the CNC's new negotiations approach was apparently repeating this process. The history of the collective bargaining process under employee ownership therefore meant that the CNC perceived management's response as a consequence of the union presenting too weak a front to management in the formal arena. As a corollary, the appropriate union response to the problem was to present a strong aspect,

**Mike,** "We've slipped up. We've allowed garages to deviate, to negotiate separately. The company don't want the rates of pay to be market leaders, we've lost a lot of conditions and must say to them 'Look somewhere else for your savings' ... we've got the whip hand. We've got to start saying no for a change!"

Consequently, the CNC rejected management's offer unanimously and went on to ballot the membership, with the recommendation that the membership rejected the offer. The result was an overwhelming rejection of management's proposal,<sup>13</sup> which left the CNC in a traditional position of strength. The return to an identity divergence stance had apparently worked in the CNC's favour and they believed that they now had the upper hand to move forward with the negotiations and achieve their goals,

**Tim,** "We have the higher ground after the ballot"

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<sup>13</sup> Votes for rejection of management's plan: 96% (1052). Votes for acceptance: 4% (48).

The negotiations were now coloured with the recognition by the CNC that their efforts at identity convergence had not been reciprocated. At this point in the negotiations, the tensions between the established-formal and the ESOP-related-informal spheres of influence in the negotiations process had resulted in victory for the established, formal collective bargaining framework. Consequently, the CNC had rejected the worker directors' ESOP-led identity framework for the negotiations and opted instead for a return to a traditional identity divergence strategy and identity,

**Mike**, "The ballot was a vote of no confidence in the management,  
it was more than just an industrial relations matter"

As a result of this return to established negotiating identities, management's rejection of the worker directors' proposal, and with it the worker director's conception of the 'ethos of the ESOP', had become incorporated into the CNC's mistrust of management. Consequently the CNC had rejected the informal role and influence of ESOP and opted for industrial action rather than continue to listen to the worker directors' pleas for continued negotiations,

**Tim**, "It is an anchor round our necks that we are partners in an  
ESOP"

With the CNC's rejection of identity convergence, and with it the worker directors' ESOP-identity convergence framework, an alternative route to a final

decision was suggested, incorporating the CNC's conception of the mechanism for harmonisation - one which did not involve union identity alteration,

**Mike, "ESOP articles force the company to recognise industrial relations structures. Can we hold the company to go through the shareholders body?"**

However, the use of formal ESOP structures was perceived as a lengthy and problem-strewn process. Given the CNC's mistrust of the influence of the ESOP over the collective bargaining process, the use of formal ESOP channels, even if it was to conclude the negotiations and resolve the low cost units problem, was ultimately rejected as a possible course of action,

**Wilf, "Still, four weeks notice is necessary for an EGM"**

**Jerry, "But in an EGM the floor can express no confidence in management and if management force the issue then they could put their necks on the block"**

**Wilf, "Management can overturn a no confidence vote during the first five years of the company"**

**Jerry, "Therefore we are back to the dispute"**

### 4.3 Summary

While the response of the union membership provided a strong rationale for continuing with the established, adversarial patterns of interaction between the formal networks, the CNC's new found strength within the negotiations came from ratification of their identity divergence policy and so the potential for adoption and acceptance of a new, ESOP-led framework of understanding for the negotiations was in jeopardy. However, in mobilising the use of established collective bargaining identities, patterns and routines, the CNC was ignoring the changes to the collective bargaining framework that the employee buy-out had affected, notably the growing impact of the worker directors' ESOP-led framework of understanding for the negotiations. With a return to identity divergence, the CNC perceived the negotiations process as dividing up a finite amount of organisational control and not as creating new identities or forms of influence.

The negotiations were therefore being re-conceptualised by the CNC within a 'them-and-us' framework, creating the conditions for papering over the cracks within the union group and allowing them to work together to provide a unified and strong union response – in other words, a unity of disunity. There was nothing unusual or different about how the CNC was responding or how it was manoeuvring its own members to confront management. This was a typical union response to a typical confrontation with management, a response in which there was apparently no formal or informal part for the ESOP to play.

## 5. Formal ESOP Structures

### 5.1 Atmosphere of Mistrust

As a consequence of information gained through the overlap between membership of the CNC and the Boards of EBTI and EBTII, conflicts had not only continued to exist within the established formal collective bargaining forum but had spread to encompass new tensions. The suspicions held by the CNC of management's agenda, which went above and beyond a normal them-and-us mistrust, were based on evidence from these alternative formal sources,

**Ron**, "The problem with the CNC is that some of them are on EBTI and therefore have confidential information. Therefore some of the CNC know the issue and management information and figures but the others don't and those who do won't divulge and explain because no one wants to be seen to make a decision. Management are untrustworthy and are vying for influence amongst themselves because they all want to be the king pin and keep their job when FirstBus takes over"

At the EBTI meeting following the union ballot, Mike and the Chief Executive had come to blows over company finances, and their heated argument had temporarily halted the meeting. Consequently, the atmosphere of mistrust still pervaded the negotiations and the CNC did not believe, and disputed, management's calculations on the necessary profit levels,

Mike, “The ballot result is a question on how the company is being run. We've seen at EBTI the costs of running buses .... and £8 million to run buses is excessive and you could do more to get the figure down. Unlike Stagecoach, there are no shareholders to pay off. I'm not convinced by your argument ... The ballot reflected no confidence in how management are doing this”

The belief among the CNC members was that BusCo senior management were searching for cost reductions to make the company more attractive to potential outside buyers,

Mike, “Your [management’s] agenda is to boost the profit level higher than we see necessary for BusCo - there is *another* agenda. I've learnt from the worker directors that the budget for next year the forecasting means that they expect £1.8 million profit without a reduction in platform costs, without a fares increase and so on, therefore they've found a bit extra and why is £1.8 million not enough? But, especially in an employee-owned company, driving down driver costs is not acceptable. We've got to be *firm* and say no to reductions in wages terms and conditions”

The issue of management’s hidden agenda was again mooted when management rejected all the union’s proposals to reduce costs. Wilf suggested that the budget was camouflaging costs and used information obtained as Chair of EBTI to accuse the Chief Executive of shifting his salary costs onto ESOP costs. The CNC felt

that they had tried identity convergence and it had failed - in the eyes of the CNC - because not only had management's collective identity remained unaltered, but because information gained via the ESOP structures suggested to the CNC that management had an additional and alternative agenda, one which served management's interests alone,

**Wilf**, "The burden is not as great as you [management] are making out"

\*

**Jerry**, "The management ethos is not acceptable and the work force don't believe in you, they believe you have alternative motives"

\*

**Mike**, "I question where you [management] are coming from!"

The CNC would not therefore continue with an identity convergence strategy since they believed that management were hiding their true intentions. The origin of this belief lay in information gained through the formal ESOP structures, EBTI and the worker directors, which suggested that the goals of the union and management, far from converging under any mechanism, were in fact polarising and that management's alternative agenda was indicative of this polarisation. These suspicions concerning management's intentions reinforced the CNC's anxieties that an identity convergence proposal might unintentionally play into management's hands by giving management a result it wanted regardless of whether it was also something that benefited the union (a quid pro quo



framework). Furthermore, the alternations over the previous months between convergent and divergent negotiating frameworks meant that the CNC were now unsure which were their own proposals and which were management's. The confusion over identities and identity convergence mechanisms meant that the union group feared that their own ideas were playing into management's hands. The difference between the CNC's and the worker directors' conceptions of what was meant by identity convergence meant that the CNC had ultimately become suspicious that management had in fact created the CNC's identity convergence action,

**Mark, "The original document said that ..."**

**Alf, "The original idea was sparked by a management comment"**

Consequently, the negotiations had become paralysed by new tensions and suspicions arising out of the overlaps between the ESOP and the negotiating networks.

## **5.2 Summary**

The addition of the formal ESOP structures to the BusCo organisational networks was therefore a major factor in the CNC's identity divergence resolution, with the information that came via these routes contradicting that received through the formal management channels, even though the ultimate source - the Board - was

the same. Consequently, the CNC felt that the formal management channels of communication were withholding information and, as such, the CNC felt unable to adopt an identity convergence strategy without being fully confident that management held the same intentions. For the CNC, this meant no alternative to identity divergence.

New areas of conflict had therefore been introduced into the negotiations through an underlying and hidden aspect that had added a new dimension to the negotiations, the ESOP. While the CNC had rejected the overt introduction of the formal ESOP structures into the collective bargaining sphere, by providing an important additional source of information for the union these very structures were being used by the CNC to inform their negotiations strategy.

Throughout March, the atmosphere of suspicion became entrenched within the CNC and informed how the union group approached the negotiations. As the worker directors were not involved in the formal CNC meeting during March, these union moves into identity divergence were unmediated by the informal influence of the ESOP structures. However, the exclusion of the worker directors could not negate the reality that ultimately the collective bargaining framework had been altered by the informal introduction of the ESOP into the conflict resolution process. Therefore, an absolute return to established patterns of interaction was not going to be possible since the collective bargaining framework now incorporated new ESOP-related elements.

## **6. New Areas of Conflict: Identity Dissonance**

As early as March, the movements in the CNC's collective identity (and the decisions taken within these frameworks) had consequently resulted in conflicts within the collective bargaining process. Identity dissonance produced by these identity shifts became apparent as the cause of many of these observed conflicts within the negotiations. Despite the CNC's reservations, the renewed presence of the worker directors at the negotiations during April and May meant that identity convergence and identity divergence became increasingly interchangeable collective identities for the CNC, as the group wavered between the two bargaining frameworks. The demarcations and movements between the CNC's established collective identity and the worker directors' ESOP-led identity convergence moves produced new areas of conflict. This identity dissonance underpinned and directed the outcome of the negotiations and provided a further area of conflict for the CNC, but one without any established conflict-resolution roles or patterns.

Four formal CNC meetings were held in April alone and, by the final meeting of that month, the CNC had presented to management (with the guidance and aid of the worker directors) two more alternative proposals. Both of these had been met with management's own, unreconstructed ideas, and no agreement was on the horizon. By the beginning of May, the negotiations had formally broken down and the CNC were exhibiting signs of severe tensions both within their own network and with the negotiations process. However, despite these conflicts, the behind the

scenes influence of the worker directors finally re-established a common negotiating framework and brokered an agreement on 9<sup>th</sup> May.

## **6.1 New Collective Bargaining Framework**

The established, expected collective bargaining framework at BusCo was understood to contain two divergent collective identities (management and union) which negotiated arrangements where the satisfaction of one party occurred only at the cost of the other. These arrangements were arrived at within the commonly understood collective bargaining framework of divergent identities. As the contradiction between the two formal identities involved in the negotiations was the gelling agent in this commonly understood collective bargaining framework, this had created an arena of common understanding within which representatives of the two formal networks could negotiate.

The alteration in collective identity by the CNC through the introduction of an identity convergence framework (and the resulting offer on the table) stood outside this established framework of understanding. By initially adopting an identity convergence strategy, the CNC had unwittingly achieved two ends. First, their new identity convergence framework had effectively altered the terms of engagement within the collective bargaining arena. Even though the CNC had subsequently retreated from their convergent negotiating framework - as a result of management's unreconstructed response to the CNC proposal - the management and union relationship in this forum (and thus the collective

bargaining framework) had been altered by its very existence. Secondly, this strategy had introduced the worker directors' ESOP-related conception of an identity convergence process into the formal, established collective bargaining framework, where it had not had a purchase before. The previous CNC retreat from formal conflict with management had been through a withdrawal from engagement with the formal collective bargaining process and not through the convergence of identities. This time around, the difference was that the ESOP was actively influencing the formal collective bargaining framework itself and the identities of which it was composed. The system of opposites that had made up the collective bargaining framework that had allowed the two divergent identities to interact in understanding had therefore been added to, contaminated and complicated. By altering its identity, and its approach to the negotiations, the CNC had removed one of the two poles in this dialectic system thus fracturing the social reality that allowed the interaction in understanding between the two groups, and replacing it with incomprehension.

Given the lack of stability within the collective bargaining framework at this time, the identity and decisions of the CNC swung between identity convergence and identity divergence. There was clear evidence of uncertainty among the CNC about the new collective bargaining framework and appropriate courses of action within it. Indicative of this uncertainty was the CNC's decision, early on in this stage of the negotiations, to use an identity convergence proposal to obtain polarised identity divergence objectives. While this betokened a confused and contradictory policy, it also indicated their subconscious awareness that the collective bargaining framework had changed and therefore needed a new type of

approach. However the CNC had, within their re-established identity divergence identity, tried to manipulate this new collective bargaining framework to achieve identity divergent aims and ends. The strain of a new collective bargaining framework and a polarised identity divergence policy resulted in the CNC opting for *both* identity convergence and identity divergence policies – as a route to CNC ‘unity’. The tensions between identity convergence and divergence, coupled with the weak unity - or unity of disunity - that was the CNC, escalated the conflicts and tensions experienced by the CNC.

## **6.2 Formal Relationship Dissonance**

Many of the conflicts experienced by the CNC were underpinned by identity dissonance within the formal collective bargaining sphere. As April passed, the collective identity changes and conflicts within the CNC created a dissonance within the patterns and framework of the formal arena of collective bargaining, with both networks accusing the other of ‘*moving the goalposts*’ of the negotiations.

### ***Management Team Dissonance***

From a management perspective, the introduction by the CNC into the collective bargaining forum of an alternative identity convergence agenda and proposal, and the CNC’s associated expectations of management identity changes, caused the management team to accuse the CNC of having gone beyond the established collective bargaining framework,

**Owen Jones, “We moved from £3.79!”**

**Jerry, “Laudable, but not far enough!”**

**Owen Jones, “You're moving the goal posts!”**

The alterations to and uncertainty in the formal negotiations process was maintained, by the management network, to be a failure of the CNC to understand management's approach to the negotiations and consequently as a failure to honour the established, expected and understood framework of collective bargaining. While management had not altered their approach to collective bargaining, the framework in which they were now negotiating, and the CNC's actions and expectations therein, had changed and the new collective bargaining framework for the negotiations was an untried and unknown system.

By altering their collective identity the CNC had therefore altered their approach to collective bargaining, which the unreconstructed management network perceived as unfairly altering the pattern of relations. Management's anxiety over the CNC's goals and purpose transposed itself into accusations, principally directed at the CNC for not playing fairly. As the management group had not altered their collective identity towards convergence, they viewed the CNC's proposals with suspicion, and continued to accuse the CNC of 'moving the goalposts'.

In this atmosphere of uncertainty, management's concept of a harmonisation mechanism, where CNC identity alteration was achieved alongside unchanged

management goals, meant that the management team were asking the CNC to come forward with more alternatives to management's established and predictable proposal,

Owen Jones, "Our ideas have been unacceptable to you. I requested that *you* present an alternative. If you don't like my proposals I want you to suggest alternatives"

Unsurprisingly, this request was born out of the fact that management were unsure of and did not understand the CNC's actions and expectations. The identity convergence strategy, and subsequent alteration in approach to the negotiations by the CNC, were not within the union's established patterns of interaction. Management's request for another CNC proposal can therefore be seen as an attempt to establish where the new borders of interaction lay, in other words, they were trying to re-establish a pattern of interaction and a commonly understood framework within which they could operate and move forward with the negotiations.

### *CNC Dissonance*

The cause of this impasse in the formal negotiations was therefore a lack of understanding, by both management and trade union, of the alterations to the collective bargaining framework. Rather like management, in their turn the CNC externalised their discomfort over the bargaining process and focused on the shortcomings of the other formal network. The dissonance within the collective bargaining sphere was thus causing both management and union networks to



refocus their anxieties and tensions upon external factors, and these tensions were projected onto the other network in the formal negotiations arena. On one occasion, Darren stuck one finger up at management from behind his lottery ticket, while Mike remarked,

**“You don't know how to run a profitable business”**

The external focus of the CNC's anxiety centred on a confusion about what the other group's aims were,

**Mike, “You [management] refuse to look at the good points!”**

\*

**Wilf, “We could argue all day, we say it is a saving, you say it is a cost”**

As a consequence of the CNC's identity alterations, and the ensuing changes in the way they viewed and approached the collective bargaining framework, the CNC were – from their perspective – in dissonance with management. Since the CNC had shifted their perception of the purpose of the negotiations, and were now experiencing and operating within a new collective bargaining framework, they were unable to respond to or find a common ground of understanding with management concerning the purpose of the negotiations. Consequently, in their turn, they accused management of departing from the negotiating format, also using the terminology of ‘moving the goalposts’,

**Wilf**, “But you questioned what we'd balloted on. *You've* moved the goal posts and if that was your intention then you should have said. Lets get it straight”

In their defence, management maintained that they had not been dishonest and for them, they had simply remained rooted in the established, adversarial and dichotomous collective bargaining framework. Therefore, management believed that it was not them who had moved the goalposts.

The fear and anxiety within the CNC concerning the purpose and form of the negotiations meant the CNC had to work hard on their approach to the negotiations because of the unpredictability of the new collective bargaining framework,

**Wilf**, “He's changing the goal posts and if we don't get it right he will walk all over us”

This uncertainty was also expressed as a strong anxiety over the framework within which the CNC had been taking its decisions,

**Mike**, “It's a dangerous situation at the moment and if you think there will be a negotiated settlement today over wages, you're wrong. You've [the CNC] made concessions - meeting management over their low cost demand”

Ultimately the identity dissonance within the CNC, caused by the CNC's anxieties within the collective bargaining sphere, found expression as anger,

**Saul**, "They've moved the goal posts and we're top heavy with management!"

**Darren**, "They're incompetent"

**Alf** (shouting), "Let's get the ballot box out!"

**Tony**, "He's treating you with contempt!"

**Wilf**, "More than! He's changing the goal posts. Let's stop pissing about and get out there!"

Such fervent anti-management feelings were a refuge for the CNC from the uncertain collective bargaining framework that they found themselves within. The return to a comfortable, predictable and established identity, where the patterns of interaction and the expectations of action and reaction were clear and solid, presented the CNC with a stable identity. Therefore, since the CNC's disquiet within the collective bargaining sphere had resulted in their inability to pursue or continue with the worker directors' ESOP-led mechanism for identity convergence, they returned to their established collective identity, one of identity divergence. However, since this divergent identity was a product of the established collective bargaining framework of understanding, which no longer

existed in its old form, it could no longer be sufficient for the current, ESOP-led, negotiations.

It was significant that a sharp increase and sustained discussion of management's failings were occurring at this point in the negotiations. The CNC needed to reinforce its own conviction that its renewed policy of identity divergence was the correct strategy and so reminded itself that management was both incompetent, immoral and had an alternative agenda. The attacks on management counteracted and suppressed the CNC's feeling of uncertainty. The CNC's dilemma was expressed concisely by Tim,

**Tim, "[He] has asked for our alternatives to low cost units and we can't and *won't* suggest one"**

However, the collective identity of the CNC was in such dissonance that they were unable even to predict the outcomes of, or management responses to, their proposals. This climate of fear within the CNC resulted in a questioning of the very basis of their formal influence - the membership - and there was fear that the dissonance was not restricted to the negotiating team. The movements that had been made towards identity convergence by the CNC may have taken them out of step with their membership - if the membership perceived that the CNC had accepted too many 'concessions' for few immediate gains,

**Stan**, “But out there some don't want integration and non-demarcation. Who are we representing? Ourselves! And they'll vote something different”

\*

**Mike**, “If we continue like this we won't be able to sell it to the members”

### *Dissonant Frameworks*

The basis of the dissonance within the collective bargaining sphere was therefore the confusion - on both sides - over why the other party was acting as they did. From within management's view of the collective bargaining process they could not understand why the CNC were pushing for integration,

**Mark**, “We've gone through your document. We would like to know why you are reluctant to integrate Fastline, what your fears are”

**Owen Jones**, “Your proposal increases costs ... we were only concerned with new starter rates! *You've* come back and said lets roll the whole thing together - but not with cost reductions”

In their turn, the CNC could not understand why management would not accept their aims,

Ewan, "But, Mr Jones, *you've* brought Merry Hill into the equation"

\*

Mike, "We're trying to address your concerns *and* ours"

Ultimately, the negotiations were in dissonance because the negotiating parties were working in dissonant frameworks of understanding,

Mike, "Unless you withdraw the proposal and give us something else we're a million miles apart"

\*

Stan, "At the moment we're going parallel but there's a fundamental difference"

\*

Dan, "In his eyes you're taking more than you're giving"

Therefore, neither party could proceed with the negotiations since they did not fully understand the new framework for the bargaining process. There was a growing awareness in the formal collective bargaining sphere that neither the union nor the management group any longer understood what the other group wanted from the negotiations. The shift in the collective bargaining framework meant that each network felt and accused the other of not taking the negotiating process seriously, indicating an anxiety over the changed patterns and expectations in the formal collective bargaining sphere,

**Stan, "I think we're going back to '86 here"**

**Alf, "1886!"**

\*

**Owen Jones (annoyed, exasperated), "I'm not sure you've been listening! Are we going to talk sensibly?"**

**Mark, "We *are* talking sensibly"**

**Owen Jones, "You are *not!*"**

**Stan, "This negotiating process is a strange convoluted exercise ... a hodgepodge has developed over the last 10 years and I thought this was a discussion on a unified way forward. But you want ring fencing! We're not sorting it!"**

While the accusations of management incompetence served as a pressure release for the union group, they failed to address the cause of the tensions, i.e. the changed collective bargaining framework. Consequently, when they met in the formal arena, the two groups could converse but failed to communicate any understanding. The gulf of understanding now established between the networks meant that the CNC remained confused about *why* management were failing to see the advantages of the CNC's negotiating approach,

**Stan** “We *have* responded to management's overtures. We *do* have a commitment to save money, *how* we save it is important and there are alternatives to lowering rates. I'd like management to do all they can first but they are working the wrong way round. I'm not convinced that management will make these savings. The problem now is a highly divided work force within and among BusCo, Merry Hill and Fastline”

The loss of a common framework of understanding and the resultant dissonance in the formal collective bargaining sphere was producing a centrifugal force in the negotiations. This centrifugal force was driving the two networks apart, separating their frameworks of understanding beyond any formal means of re-establishment. As the incomprehension between the two parties took on its own momentum and force it was unsurprising, given the forces at work, that both groups felt that the opposing party was working to another agenda because that was precisely what they *were* doing,

**Stan**, “I thought we were here with responsibility to increase profits, not through wage cuts but through practice alterations. His and our ideas don't gel”

**Tim**, “Our future here is looking very bleak”

As the two networks were no longer able to communicate in a forum of common understanding, and as the proposals from either party were unintelligible to the



other group, the negotiations inevitably became deadlocked,

**Jim Banks**, “We are not understanding each other. We're miles apart. You think you've given us the earth and we see a minor saving and major cost increases”

Consequently, while the discussions between the formal networks were continuing, the movement was in a circular direction - the negotiations were not moving forward towards a conclusion. This dissonance in the formal collective bargaining sphere was acknowledged by the CNC as an inability to move the negotiations forward,

**Tony**, “I've not been here for three weeks and we are no further on from that!”

The circuitous nature of the negotiations was expressed by the union group as a belief that, despite their efforts to move the negotiations forward, they had not progressed from their starting point,

**Wilf**, “We're back to where we started. No room for movement”

\*

**Chris**, “I suggested a group system but they [management] say they can't even afford that, therefore there's a clear impasse”

### 6.3 Role of the ESOP

While both the CNC and management believed that the mechanism for harmonisation under employee ownership involved identity convergence, this assumed convergence from only one of the two formal networks involved in industrial relations within the organisation, thus leaving the opposing networked identity unchallenged. As the rationale for the employee buy-out at BusCo had been to protect the status quo of the formal networks, while both management and trade union believed that a new organisation-wide collective identity would be the outcome of employee ownership, both also expected that this new collective identity would be fashioned in the image of their own network identity. However, the worker directors, with their alternative identification as representatives of both management and workers as employee shareowners, held a significantly different belief about the mechanism for harmonisation under employee ownership and control. This mechanism for harmonisation involved and invoked an entirely new, organisation-wide collective identity. The assumption was that under the new ESOP-led collective identity, management and CNC shared the same goals since all held equal ownership rights. It was this alternative vision of harmonisation that the CNC had initially adopted during the negotiations, before management's failure to correspond had resulted in the union's retrenchment into its established and divergent identity. A significant aspect of the CNC's experience of formal dissonance was therefore that, having adopted the worker directors' ESOP-led mechanism for harmonisation through identity convergence, the CNC believed that their identity change should have been mirrored by management. The basis of the formal dissonance experienced by the CNC was

therefore their adoption of the ethos of the ESOP as a negotiating identity, and that management had not responded in a likewise fashion. As such, the CNC felt that management's response was out of step with the form and function of the organisation. Consequently, they accused management of not reciprocating in a manner acceptable in an employee-owned company,

**Jerry**, "Managers have acumen to manage but only mandated to do that at *acceptable* rates. Therefore ask Owen Jones for a proposal that's acceptable"

The CNC firmly believed that they had acted honourably, in accordance with the ethos of the ESOP, but that management had not reciprocated within the same framework of understanding. The CNC interpreted management's tactics - maintaining identity divergence while the CNC attempted identity convergence - as dishonesty,

**Ewan**, "Owen Jones's been dishonest in his approach to us last Thursday regarding integration. I still say Owen Jones was dishonest about integration"

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**Mike**, "If management will show us fairly the figures, but they're the Bosnian Serbs!"

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**Mike**, "Your [managements'] answer to Wilf - not increase costs for integration - I don't believe was an honest answer"

Whereas, in fact, this misunderstanding between management and the union was caused by their dissonant expectations of the harmonisation mechanism under employee ownership. The consequent lack of a common framework of understanding for the two networks to work within meant that the negotiations had reached stalemate. The only possible means by which the negotiations could have been restarted would have been to re-establish a framework of common understanding.

#### **6.4 Role of the Informal Network**

To break this negotiations deadlock would have taken a leap of understanding from both sides, one which the formal networks could not provide, constrained as they were by their states of dissonance. Given the lack of understanding between the two formal networks, any forward movement in the negotiations was going to have to be externally generated.

Since the CNC had altered their collective bargaining strategy through their initial movement into identity convergence, they consequently did not have a clear route or plan for the negotiations. By having initially adopted the worker directors' ESOP-led identity convergence proposal, even though the CNC had rejected the informal influence of the worker directors by re-establishing identity divergence with management, the retracted proposal was still in existence – its appearance on the table could not be deleted – and the negotiations framework had been irreversibly altered.

However, the CNC alone were unable to forge the new roles, patterns or framework needed to take the formal negotiations forward. For this they required the direction and influence of parties not formally involved with the negotiations. The only other party involved in the negotiations, but not in the formal sphere, were the worker directors. Therefore, the CNC still needed the direction of the worker directors to help them create a new path through the negotiations. In recognition of the integral role of the informal ESOP network in the new negotiations framework, the CNC called for worker director guidance in the negotiations process,

**Tim, “We could do with Dan and Chris as mediators”**

**Saul, “They're better negotiators than that lot!”**

While the dissonance in the formal sphere meant that the CNC could no longer understand management’s negotiating strategy or goals and therefore perceived management as dishonest, the worker directors’ informal network position meant that they were able to access both frameworks of understanding,

**Dan, “I'm trying to explain their side - that the savings are not until the sixth year, which is unacceptable to them”**

\*

**Chris, “That's *their* point”**

\*

**Dan, “I’m trying to help both sides”**

The worker directors were therefore in a better position to comprehend the social realities of both the two collective identities. Consequently, their perception of management was less damning,

**Dan**, “Chris and I have said all along to management that a reduction in the new starter rate needs progression. Your thoughts are ours too. I don't think that management is dishonest, they *said* that minibus rates are too high. I said the best we could hope for this year was integration. I believe I'm out of step with the CNC. I know the Fastline suggestion is out of order but consider it”

As the worker directors' influence within the CNC could only be informal<sup>14</sup> and not formal, the worker directors were strictly outsiders to the formal negotiations process. It was notable that, up to and including this stage in the negotiations, the worker directors had sat mute during the formal decision-making meetings between the CNC and management.

The worker directors therefore posed no formal threat to the authority of the CNC. As formal outsiders, a position they repeatedly emphasised, the worker directors in fact occupied the only position that could achieve a common framework of understanding for the formal networks to work within. Their position was unique within the negotiations given that they were not connected in any formal way with the CNC's internal rivalries or tensions. Neither were the worker directors

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<sup>14</sup> Dan claimed that while the worker directors attended the CNC they did not attend the formal negotiations between union and management because it would have meant “sitting uncomfortably on the fence”.

connected within the formal negotiations to the management negotiating team. By distancing themselves from management, repeating “*their* side ... *their* point ... if *we* are firm”, the worker directors were signalling that their information and advice was not associated with or driven by management’s collective identity, and that they fully supported the CNC’s formal decisions. The worker directors therefore posed no threat to the formal power allocations within the formal network,

**Dan, “One of the CNC gave me a good idea the other day”**

\*

**Dan, “We will support any CNC decision”**

\*

**Dan, “I agree totally”**

The repercussions for the worker directors of these tensions between the formal networks was that they had to repeatedly emphasise the CNC’s formal authority in the collective bargaining sphere,

**Saul, “We're going too deep with the bottom rate”**

**Dan, “I insist that rates negotiations *must* be with the CNC. *You've* got to negotiate the rates not me! Let me finish! The agreement will be with each garage committee or with the CNC - I don't mind, it's up to you”**

To avoid being perceived as a threat to the CNC - and thus excluded from the

negotiations - the worker directors emphasised both their informal position and the CNC's formal authority in the collective bargaining forum,

**Dan, "Just trying to help"**

**Mark, "We understand you. Originally we had three rates and progression option"**

**Dan, "That's one way of doing it, quite right"**

As a consequence of CNC anxiety concerning external influences over their collective identity, the worker directors clearly demarcated the distinction between their informal influence and the CNC's formal arena of decision-making, emphasising their lack of formal authority and their neutrality in this area,<sup>15</sup>

**Dan, "I support everything you've said and we've argued it as you have but they won't budge"**

In order to achieve their (ESOP-related) aims, the worker directors had to allay the anxieties felt by the CNC over the informal influence of the ESOP structures. They worked towards this by emphasising their neutral role within the formal collective bargaining forum. To retain influence, the worker directors stressed that their goals were the same as those of the CNC,

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<sup>15</sup> However, Chris reported that Dan did the all talking at the CNC meetings because "he can soft soap them".



**Chris, “Dan and I will support you in whatever decision you take  
and your tactics”**

The worker directors were also mindful not to suggest an idea outright, but phrase it as outsiders. This allowed the CNC to take the formal decision. By verbally representing and presenting their goals as queries, the worker directors were making explicit their disassociation from the formal decision-making process,

**Dan, “Bear in mind ...”**

\*

**Chris, “It’s only a suggestion”**

Through urging the CNC to consider the details of their proposal, while at the same time indicating that they were trying to help the CNC achieve its goals, the worker directors were informally pushing the CNC to stabilise their collective identity within the new framework of understanding for the negotiations. However, to secure and safeguard this influence, the worker directors had to subtly control the formal decision-making. They achieved this by withdrawing from the formal decision-making and allowing the CNC to move the idea forward,

**Dan, “Here’s how you handle it, you’ll probably shoot me down!”**

Since the worker directors were able to access both formal networks, they could also cut across the dissonance that was paralysing the negotiations. In their capacity as translators of management’s message to the CNC, the worker directors

were therefore able to demonstrate that while management's goals were quite different to the CNC's, this did not mean that management actively did not want the CNC to achieve their goals,

**Dan,** "Ever since day one the negotiations have been on reducing costs to maintain the services. On Friday we changed the goal posts. Their exercise is to reduce terms and conditions. If a way to integrate Merry Hill and Fastline is cost effective it will be fine with management, but on Friday integration increased the costs"

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**Dan,** "All I was saying was - don't curse etc. - the one criteria is the tender price is now too high to win work and without winning it puts pressure on pay higher up the scale. It happened at Weston. His intention was a low starting rate - his *only* point!"

The worker directors were therefore the only party to the negotiations who were able to operate outwith the formal collective bargaining sphere. In their informal capacity they had access to both union and management frameworks of understanding, and were able to bring this knowledge and comprehension to the formal negotiations process. Their informal access to both formal networks meant that the worker directors were able to indicate to the CNC how far management would move within the negotiations. The CNC recognised the worker directors' influential role in steering the negotiations towards a conclusion through their ability to formulate a path within the new negotiating framework. As a result, the

group frequently and explicitly sought the worker directors' leadership in their informal discussions,

**Mark, "Dan would you lead [the meeting]?"**

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**Dan, "What do we want to be? BusCo as one integrated group, is that what we want?"**

**Tim, "And the conditions?"**

**Dan, "He would be prepared to consider those"**

\*

**Dan, "I spoke to Jim Banks this morning and management will not discuss senior rates today. I think you've brought management along a long way and you're not far off an agreement"**

## **6.5 Informal Relationship Dissonance**

While the worker directors had been associated with the negotiations process from an early stage, this involvement was tinged by the oscillations of the CNC between accepting and resisting the involvement of the worker directors.

Consequently, reinstatement of the ESOP-led collective identity was not an easy ride for the worker directors as identity dissonance was not restricted to the formal

sphere. Dissonance in the formal collective bargaining sphere was underlain by dissonance in the CNC's externally focussed informal relationships. Notwithstanding the continued informal influence of the worker directors over the direction and form of the negotiations, the CNC were also experiencing tensions with these informal ESOP representatives.

As a result of the two directions that union collective identity had taken - initially towards identity convergence with management and then towards polarisation - new areas of conflict had arisen within the CNC as a result of the ESOP networks and influence. Suspicion of ESOP informal influence, an authority not under the command of the formal union network, had grown parallel with and as a consequence of the disillusionment and confusion of the CNC with the new negotiating framework.

Despite their emphasis on formal neutrality, the strong informal influence of the worker directors continued to create anxieties amongst the CNC, centred on the influence of the informal network over the collective identity of the group. While the formal and informal spheres of influence within the CNC were clearly demarcated, the informal influence of the ESOP was not fully accepted by the formal networks and this resulted in tensions between the formal and informal authority networks.

The structural conflict between the gatekeepers of the formal and informal ESOP communications channels was increasingly apparent. Wilf, as Vice-Chair of the CNC and Chair of EBTI represented the formal channels, while the worker

directors, without official negotiating positions, represented the informal channels. For the informal network to have a meaningful input into the negotiating procedure, the worker directors had to ensure that their role as representatives of that system was accepted by the representatives of the formal system. This was facilitated by their conciliatory and formally neutral approach, which ensured that the CNC did not feel their sphere of influence threatened by the worker directors' informal channels,

**Dan, "I'm *not* trying to lead the CNC"**

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**Dan, "It's just a principle yes"**

However, as the worker directors' informal network was beyond the direct control of the CNC, its influence created anxieties. Despite the worker directors' formal neutrality, nevertheless their informal network and access to information bypassed the formal influence of the CNC. Since the worker directors occupied a more influential informal communications role than any of the CNC members, and therefore presented a greater threat to the formal influence of the CNC, this instilled mistrust in the worker director's informal influence. Consequently, the CNC disputed their source of information,

**Dan, "I believe that Owen Jones believes tenders cannot be won unless they have low cost, and he has serious a competition problem in Easton and Weston"**

**Alf, “You're lying”**

**Dan, “I'm not”**

As far as the CNC were concerned, the fault for the difficult situation that the CNC found themselves in regarding the formal negotiations lay with the worker directors and the use of their informal communications channel, rather than the CNC relying on their own formal, established channels. The tension between the CNC and the worker directors over communication routes was exposed by management's inability to convert to an identity convergent framework. The influence of the worker directors over the collective identity of the group was seen by the CNC to have moved the union away from an established, identity divergence response. The CNC were aware that their confusion was the result of worker director influence over the groups' identity. They believed that this confusion was playing into the hands of management and began to view the worker directors as management's tools,

**Saul, “We'll still be here tomorrow given that!”**

**Stan, “They will bring out another document in a bit”**

**Saul, “Their other negotiating team is the worker directors”**

The CNC's disappointment in management's response to their document also found expression in their hostility towards the worker directors, and prompted

angry and defensive outbursts from the CNC,

**Mike, “Mr Jones’ comment on profits are different to EBTI and Dan’s calculations. It’s different messages from different management!”**

**Tim, “Dan was lying to us”**

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**Alf, “Point of order - there are two guests here to advise us only and can we forget about these two!?”**

This exposed dissonance-related conflicts between CNC members and the worker directors’ informal influence,

**Darren, “Bin the worker directors, that would save money!”**

**Mick, “Bin the managers!”**

**Alf, “Send Dan Evans away for a week and we will get one hundred percent support!”**

The accusation that the worker directors were management’s other negotiating team indicated that the CNC feared that the worker directors were working in collusion with management. In effect, that the identity convergence moves produced by the adoption of the worker directors’ proposal had not in fact been

situated within an alternative ESOP-led harmonisation mechanism, but had in fact been situated within management's conception of harmonisation, involving union identity change only. Consequently, the informal influence of the worker directors within the CNC was curtailed,

**Alf, "Can we call the worker directors in to tell them they've led us up the garden path?"**

An additional aspect of the genesis of the dissonance in these informal relationships was the union's fear that relying on the worker directors' informal communications channel was simply lengthening the negotiations,

**Alf, "Who invited them? That'll mean an extra four meetings!"**

The worker directors however, trod a thin line, determined by their ability to deflect hostility. It was clear already that the CNC continued to worry that the worker directors' access to information was removing the CNC from the organisational communications network. Management were also apparently concerned about the authority that the worker directors could command,

**Dan, "I'm the one who gets the blame more than anyone"**

**Alf, "Sometimes Dan oversteps the worker director mark, but I don't find this a problem"**



**Dan, “Peter Smith [CEO] is not friendly with me at the moment and has said I’m wielding too much influence”**

These tensions over authority were never far from the surface, and the freedom of speech granted to the worker directors (as a result of their influential informal position) often proved to be a long enough rope to hang them with,

**Chris, “And Jim Banks doesn't want ambiguity in the progression. Your proposal must be positive. Management have felt that the trade union has had negative reaction till now”**

**Alf, “If we don't see the management point we are labelled negative. The money saving ideas of ours are unacceptable to management. Management want one avenue, which is reductions in the pay and conditions of drivers. Because we won't follow the management line we're being unreasonable! We want an increase not a decrease in pay! But some people around this table believe we need low cost drivers. I don't believe in that”**

**Chris, “I was trying to say that a negative response to the ballot would have been a negative response. You need a proposal for a positive response. Cleared that up”**

The animosity directed at the worker directors was therefore robust and presented a serious obstacle to the influence of their informal network over the negotiating

process. The union's hostility was an attempt to limit the influence of the worker directors over the CNC's collective identity and to cut down on the flow of information from that source. In doing so, the CNC hoped to regain influence by regaining control of the negotiations framework.

## 6.6 Negotiating Tactics

Partly resulting from the hostility aimed at these informal communications, and partly due to their alternative agenda for the negotiations, the worker directors used a particular form of negotiating tactics, notably counter to that utilised by the networks engaged in the formal bargaining process,

**Dan**, "I want all to be on the top rate but I'm certain that they [management] will not agree to it this year. Let's get everyone into BusCo this year and *then* next year push for top rates when all are in BusCo and will benefit. I'm just putting a point, it's tactics"

This difference in 'tactics' between the CNC and the worker directors equated to a different common framework of understanding for the negotiations. The CNC's established negotiating tactics were weighted towards the confrontational, adversarial procedures of traditional collective bargaining, whereas the ideology of the ESOP, represented by the worker directors, invoked a more conciliatory and less combative approach to the negotiations. The worker directors operated from within this unitarist and harmonious framework of understanding, one that

encompassed both union and management collective identities, and yet was distinct from both. The change in the formal negotiating tactics that the worker directors were advocating therefore equated to a new collective bargaining framework for the negotiations. It was this alternative framework of understanding that the worker directors were attempting to persuade the CNC to adopt,

**Dan, “The only difference is tactics Wilf - I’m just putting a point”**

But in order to move the negotiations forward, the worker directors had to establish a new common ground where the CNC and management could understand each other’s goals and worldview,

**Dan, “I agree there’s no costs but in two years the costs out weighs the cost of the agreement. That’s *their* point”**

To achieve this, the established divergent identities of the two formal networks had to be replaced with convergent identities. In other words, the CNC and management had to identify primarily with the ESOP and not with their established adversarial identities. In order to accomplish this identity change, the worker directors had to refute the CNC’s perception of the negotiations,

**Dan, “I read it differently”**

The worker directors were clear that the crucial issue that had to be decided on at this stage of the negotiations was what they termed the ‘tactics’, in other words, a

decision concerning the identities of the formal networks. Without re-establishing a common framework of understanding for the formal negotiations, the worker directors stood little chance of achieving their ESOP-led goals. Yet, the worker directors could only achieve this common understanding within the formal negotiations sphere if they could impose their informal framework of understanding on the formal proceedings. This could occur only if the CNC accepted the informal influence of the worker directors over their collective identity.

## 6.7 Worker Director Dissonance

However, despite their tactics of neutrality and equanimity, the worker directors also encountered tensions in the negotiations process. The collective identity of the ESOP, embodied by the worker directors and their informal authority, experienced dissonant relations with the CNC. Upset by the form the negotiations were taking, the tactics used by the CNC and by their exclusion from influencing them, the worker directors frustrations eventually surfaced,<sup>16</sup>

**Chris**, “I'm not standing for this, it's out of order!”

**Dan**, “They're just going to argue with us today, if there are going to be arguments I don't want to be part of it! *We're off!* I'll be in

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<sup>16</sup> Significantly however the worker directors suppressed their anger during the formal proceedings.

Weston in the Credit Union office. I'm going to get some *work* done!"

Dan's comment about getting "some work done" implied that he felt that the CNC were operating in a different collective identity from the worker directors, excluding the worker directors from influencing it. With no formal authority within the negotiations, the only sanction the worker directors could apply was to withdraw from the informal negotiating process, which they did by leaving the negotiating room and departing for their own offices at Weston. However, the role of the worker directors was of too great an importance for the CNC to let them depart. In fact, the worker directors had only made it a few steps outside of the room before they were intercepted by CNC members and persuaded to return,

**Dan, "We're back!"**

**Chris, "Are we leaving, are we staying now or what?"**

**Dan, "You're back up again!"**

However, tensions in their relationship with the CNC was not the only area of conflict experienced by the worker directors, they were also experiencing dissonance in their relations with the formal management negotiating team. Unfortunately for the worker directors and their ESOP-led goals, management's formal response to the CNC's overtures of identity convergence was not in the same spirit. While the worker directors' informal influence over the management

group was reportedly<sup>17</sup> robust, when it came to the formal collective bargaining process, the informal authorities were sidelined and their suggestions, ideologies and goals were ignored. In the formal sphere, in which the worker directors had no authority and into which they did not step, the established, divergent approach from management dominated. Consequently, the worker directors experienced their own degree of dissonance with the collective bargaining process,

**Dan, “I’m very angry with this document. This is *not* what we’d discussed and agreed with Owen Jones earlier. I’m off downstairs ... sort him out”**

The worker directors’ efforts at building up CNC trust in their informal authority had therefore been dealt a blow by their inability to foster a commonly understood framework of understanding within which the two formal networks could negotiate. This rend in the picture of harmony that the worker directors had painted for the CNC shook the CNC’s confidence in the worker directors’ leadership of their collective identity by exposing the precarious nature of informal authority in a formal sphere. As the formal negotiations with management were yielding no progress, the worker directors used their informal influence to keep the negotiations open, with the tacit agreement of the CNC. While management were willing to continue the debate with the worker directors, this was not in the formal decision-making forum. To achieve this, the worker directors had to meet informally with management, outwith the formal negotiations and therefore without any CNC members present. The management

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<sup>17</sup> Reported by the worker directors themselves.

team did not feel confident discussing these issues formally, however, they were happy to utilise the worker directors' informal communication channels,

**Dan, "Must discuss this outside the CNC"**

**Owen Jones, "I understand you"**

Consequently, the informal negotiations took a turn that excluded the members of the CNC. The union was therefore nervous and suspicious of the informal influence of the worker directors and expressed the concern that,

**"... hope Chris and Dan are not telling the management how far the trade union will bend"**

The group's fears were therefore that the worker directors would misrepresent the CNC's formal negotiating position, that the worker directors would offer management too many concessions in return for an agreement and that the worker directors would come to an arrangement with management without first consulting the CNC. This situation clearly illustrated the fragile hold that the worker directors' informal authority had over the collective identity of the CNC. The CNC's continuing anxiety about loss of formal influence was relayed to the worker directors on their return,

**Chris, "We've been told you're not happy with us going down there"**

**Dan,** “We've been trying to argue the point. We had a lengthy discussion and they don't think that this [the CNC proposal] is as good as you do and we've spent the last twenty minutes arguing loudly with them - as you probably heard!”

**Chris,** “We tried to arrange a framework ... He [Owen Jones] didn't explain it properly”

**Dan,** “We argued that it was an ESOP not a back-of-the-door company”

Despite the informal efforts of the worker directors, the intransigent collective identity of management coupled with the anxieties of the CNC meant that a common framework of understanding for the formal negotiations was not forthcoming at this stage. The negotiations were however still open due to the informal position of the worker directors, able to communicate with both formal networks. While this itself constituted a common framework of understanding, it was an informal one and transposing this into the formal sphere was fraught with obstacles.

## **6.8 Transposition of Informal Influence**

The stagnation of the formal negotiations, due to management and union differences in agenda and the disengagement of the CNC members, prompted the



worker directors to take part in the formal negotiating process at this juncture. In order to push for the transposition of their informal framework of understanding into the formal arena, the worker directors broke with their established form and entered into the formal decision-making process in an effort to bring the two formal identities together under one common framework, to broker a solution that enabled both sides to achieve their goals,

**Dan, “I’m trying to help *both sides*”**

Unlike the previous formal negotiations meetings at BusCo, the meeting where the worker directors entered into the formal negotiations saw a new seating format. Previously, the worker directors had removed themselves from the table at the arrival of the management team, and had reseated themselves against the wall. Once management had withdrawn and the formal proceedings were over, the worker directors had come back to the table. On this occasion, the worker directors remained seated at the table with the arrival of the formal management negotiators. The central placement of the worker directors in the formal seating arrangements was indicative of their repositioning into the formal negotiations. Significantly, while their statements were noticeably not on elements of direct relevance to policy at this stage, the legitimacy of their formal interjections was not challenged by either negotiating team.

## **7. Internal Dissonance**

The CNC, in order to accept that it could achieve a framework of understanding within which it could negotiate with management, needed to trust its own strength of purpose and unity. While the strategy of externalising their conflicts focused the CNC's attention on a common enemy (at times both management and the worker directors) and allowed the group to gaze outside the CNC, it also prevented the CNC from examining its own shortcomings, divisions and dissonance. These internal divisions directly contributed to and grew out of the stagnation of the formal negotiations.

As the negotiations stagnated during April, the CNC's struggles with identity dissonance exposed conflicts which became increasingly centripetal, running along the lines of existing schisms within the union group. These internal conflicts centred on identity supremacy, and created strong and negative emotions within the CNC. The result was the reinforcement of schisms within the network – which largely followed the fault lines of the regional identities.

### **7.1 Unity of Disunity**

While the CNC itself constituted formally an undivided collective identity, the CNC collective identity was not in fact a harmonious one and was based on a fundamental weakness within the CNC. There were established and significant schisms within the network which, while obvious from the outset of the

negotiations, grew in significance as dissonance within the collective bargaining process developed. These internal tensions were products of the union's regional power spheres, where the CNC was composed of five separate TGWU branches, each representing a different location.<sup>18</sup> As a result of the history of the make-up of the CNC negotiating team, the CNC network form and type had inherited and maintained internal schisms. The Committee structure, with its separate area reports, highlighted the recurring issue of regionality throughout the course of the negotiations.

Within the CNC, the branch officials also defined their identities in relation to their specific work locations. Consequently the close personal ties these produced and the five subgroupings within the CNC held their own lateral allegiances within the network. The City and Southton representatives voted together while the Weston and Easton members represented the opposing faction within the CNC.<sup>19</sup> The rotating character of the key CNC positions, the Chair and Vice Chair, ensured that no one sub-group within the network developed dominance. It was also group policy that the Chair and Vice Chair were never from the same garage.

The unity of disunity that was the CNC had acted as a robust network in so far as it had performed an established and commonly understood function within the established collective bargaining framework. This function had called on a single wider identity than those generated from within BusCo and its separate branch locations and was therefore not as subject to the CNC's internal divisions. The

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<sup>18</sup> City, Southton, Easton, Weston, and Halfway.

<sup>19</sup> The Chair of the CNC at this time was an Easton member, and the Vice Chair was a City representative.

identity the group had adhered to was a commonly recognised union identity involved in traditional adversarial industrial relations. The patterns, routines and expected responses were therefore commonly recognised not just within BusCo, but within any number of other similar companies. The CNC identity within the established collective bargaining framework was therefore also externally generated and maintained by the CNC's position within and membership of the wider union movement.

However, the movements towards an ESOP-led identity convergence meant that this established framework of understanding for the negotiations had been altered. The dissonance this had created within the negotiations process exposed the hidden disunity of the network since it meant that the CNC had to rely more heavily on its internally generated identities, i.e. those associated with the company itself.

## **7.2 CNC Formal Schisms**

CNC factionalism divided into two conflicting identities. Part of the CNC was in favour of adopting the worker directors' ESOP-led identity convergence plans, however a significant portion of the union group remained attached to a collective identity more closely associated with its wider labour movement environment, i.e. its established divergent identity. This faction perceived identity convergence as playing into management's hands. This split resulted in identity dissonance within the group which exposed its inherently divisive network structure,

**Mike, "I'm concerned at what I'm hearing ... people are talking that the original proposal - management's - was slightly better so we'll accept that! Management is reeling you in, you've accepted the urgency of accepting wages bill cuts, why have you changed your tune?!"**

The consequence of the different identities at war within the CNC was that the factions interpreted the information that reached them differently,

**Dan, "Brilliant speech, but the world we live in is different. One, where is the money for the goals? Two, as good trade unionists we must have a hope to win and there's not a hope here"**

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**Mike, "I do not accept the argument that this increases costs; Get real! We haven't cost management a penny but you've been listening to management who are a dishonest bunch who don't have the interests of the employees at heart. They have betrayed us and shouldn't be allowed to run this company. The management's agenda is bumping up the share value of the phantom shares and to deliver the company to FirstBus. How can we agree to this? I have no confidence in this management"**

In addition, the strain of formal dissonance was causing sites of tension within the group to become exposed. These tensions followed divisions between the TGWU Branches, in particular, Alf, as Chair of the Weston branch, became increasingly

agitated at the identity vacillations experienced by the CNC and repeatedly threatened unilateral action,

**Alf, “There will be *no* agreement from the Weston Branch! I want a ballot! I'll not be sat here! I can easily carry this one!”**

**Darren, “No problem carrying this one”**

As the negotiations stagnated, the strain of operating to established patterns within a changed collective bargaining framework exposed the fracture lines within the CNC, with the divide between Weston and City the first (and most significant) to widen. At this time, the Weston branch was prepared to follow its own course and, at the cost of dissolving the coalition that was the CNC, demonstrating no weaknesses to either management or the rest of the CNC,

**Alf, “Some branches may pull out!”**

While the Easton members silently observed and waited for the outcome of this internecine conflict, unable to either criticise or support either subgroup's actions, the City representatives were able to speak out, and demanded that the Weston representatives retracted their threats,

**Wilf and Mike, “*You can't do that!* It's a company-wide proposal”**

**Mick, “No, you *can't!*”**

**Alf, “We're *leaving!* I'm not accepting low cost units at Weston!**

**Will go it alone and ballot!”**

This illustrated that not only was there a five-way branch structure contained within the CNC but within that, two of the Branches had particularly antagonistic relations with each other, while the remaining three were more cautious about who they overtly challenged. The centripetal forces caused by the wider identity dissonance in the collective bargaining sphere were therefore resulting in internally generated reasons why the CNC was unable to move forward with the negotiations,

**Wilf, “We are back to the first document and work on that to get something satisfactory to the CNC”**

**Alf, “I never go back, let’s go forwards from the last document”**

**Dan, “Alf says 'don't look back' but we can't because we've already come in a complete circle. Let's start from the original proposal and the improvements you've gained”**

One manifestation of the CNC’s internal dissonance was the lack of ability of some members to speak out in meetings. Jerry, looking around the table, asked incredulously,

“Why are you being so quiet? If management won’t move then you must adjourn the meeting and possibly ballot the workers on industrial action”

As soon as the formal meeting was in recess, it was significant that a couple of the City representatives who had remained silent, Mick and Tony, voiced their opinions in support of Weston. Within the informal atmosphere of the canteen, these previously suppressed opinions - which diverged from the formal position uttered by their vocal City colleagues - were aired, suggesting that these tensions (while unvoiced during the formal process) underlay many of the formal proposals, actions and voting patterns. While Weston and City were at loggerheads formally, some City representatives did informally support Weston’s actions - although this was never demonstrated in formal discussions. However, it was clear that the regional loyalties were so firmly established and enforced within the CNC that they could override personal opinion.

A vicious circle had therefore developed within the CNC network, where the fragile nature of its coalition of Branches kept decision-making at arms length in order to preserve unity. However, this inaction only exacerbated the internal strains and schisms within the union group,

**Chris**, “the CNC politics mean that people won't agree or support others or say what they mean due to political stances”



The defensive positioning by the different cliques highlighted the CNC's inability to move within the formal negotiations. No one sub-group would take the risk of expressing an opinion in case it exposed an internal weakness to the others. It was safest - given their internal rivalries - to do and say nothing.

Furthermore, the inherent disunity of the CNC under the altered negotiating framework meant that its formal unity was increasingly fragile since the basis of this unity - identification with the wider union movement, was being challenged by the new negotiations framework and identities.

### **7.3 CNC Informal Schisms**

The internal schisms within the CNC also resulted in externalised hostility towards the informal networks, and towards one of the worker directors in particular, with Chris being cast as a formal threat to the CNC,

**Dan, "Chris and I must go to Weston, could one of us stay?"**

**Jerry, "Can we choose?!"**

The threat presented by Chris was cited as his close informal association with the formal management network. Since, to the CNC, Chris represented a part of management's channel of communication, the aggression directed towards Chris

overtly fell into the traditional them-and-us conflict category between the two formal networks involved in the collective bargaining forum,

**Darren**, “There is a problem with a worker director because he appears to be supporting low cost units. We need to speak to the worker directors about them not supporting the trade union over the low cost units”

Furthermore, within this framework there were, obviously, only two possible positions one could occupy - ‘with us’ or ‘against us’ - and Chris had been placed with the opposing management network,

**Mike**, “I don't believe, Chris, the maths he's communicating to you and you must be careful in communicating management maths to us”

Once this repositioning of Chris had happened, the possibilities of acceptance by the CNC diminished because the boundaries were imposed so absolutely. In effect, the CNC were involved in the scapegoating of a non-CNC member and therefore in placing the blame for the CNC's negotiating problems outside of the CNC's own sphere of responsibility. Scapegoating of a non-CNC member was also a safer option than internalising the conflict since to remove a worker director was relatively easy and non-confrontational. The worker directors were not formally part of the negotiations process and were only involved at the invitation of the CNC. To blame a worker director therefore externalised the tensions and

created a common enemy, and therefore a commonality of experience for the group thus helping to bolster its sense of unity.

The CNC obviously believed that the involvement of the worker directors, and their direct, informal and non-CNC contacts with management, was letting management intrude into the union's closed meetings,

**Mike, "You're a messenger for management"**

**Chris, "I disagree with that!!"**

**Mark, "Stop this personal slagging off!"**

**Mike, "I *wasn't!*"**

However, while the dissonance expressed towards Chris was on one level a simple scapegoating exercise, designed to increase CNC solidarity, it also possessed strong aspects of internal conflict and was underlain by the conflicts associated with the CNC's internal divisions. The network form and practices of the CNC, with its inherent divisions and overt recognition of the tensions between the power centres,<sup>20</sup> allowed some branches to employ the identity dissonance they were experiencing as a group in the pursuit of their own sectional interests. Restricted and bounded as the subgroups were by the CNC's formal practices and unable to

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<sup>20</sup> Through the standardised and codified use of a rotating Chair and Vice Chair and the ruling that no one branch could occupy both positions at once.

accrue any dominance of the group through the formal network, an alternative route to dominance was to be found via the informal authority structures within the company, principally those associated with the ESOP. The formal ESOP structures, EBTI and EBTII, while providing information for the CNC did not provide their office holders with any great amount of influence within the CNC itself, as the CNC had repeatedly rejected the use of the formal ESOP structures within the formal collective bargaining sphere. However, the hub of the informal BusCo network, with influence in both management and union formal networks and over the collective bargaining process itself, was the worker directors who could and had exercised dominance over the CNC's actions and collective identity. The possession of informal authority was therefore the key to assembling dominance within the formal CNC network, and this informal authority could be gained by stepping into a central position within the informal network.

Significantly, the platform staff worker directors served a three year term of office, selected and elected by the CNC. However, their dates for reselection were staggered, with Dan's reselection not due for a further two years, whereas Chris's reselection was imminent, occurring in June. Chris was therefore the natural target for a CNC subgroup eager to accrue dominance within the network. While a CNC member was required to resign their formal position if they were elected as worker director, the informal authority within the collective bargaining process that the post would bring could significantly advantage the agenda and goals of the branch to which they belonged. Therefore, while the CNC regional tensions were internally generated, their expression was also externally focussed. In particular, it manifested itself as overt conflict between the dominant City representatives, Wilf

and Mike, and the worker director, Chris, who was based at Easton and therefore had no regional support from City,

**Wilf, “I strongly object to this committee being described as negative!”**

**Chris, “I didn't!”**

**Wilf, “I *strongly* object to this committee being described as negative!”**

City's overt attacks on Chris were recognised by the CNC as deriving from an alternative agenda. Wilf's desire for the worker director post was recognised not only by the worker directors themselves, but also by CNC members from City and its rivals,

**Chris, “Wilf is trying to discredit me in front of the CNC and improve his chances of election. He wants the post for the money only”**

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**Ron, “Mike and Wilf are getting at Chris because the worker director elections are coming up”**

\*

**Alf, “City want a City worker director so they can dominate decision-making”**

\*

**Dan, “Wilf is after the worker director post, the election is in two to three months and the procedure starts at the next CNC”**

In the forthcoming worker director elections, Weston and Easton were certain backers of Chris and could be relied on to vote for an Easton worker director over a City candidate. The City representatives on the other hand were definitely going to back Wilf’s election campaign in preference to a candidate from Easton or Weston. Numerically, this equally divided the group and left the CNC in limbo, therefore the crucial and casting vote came from the one remaining Branch, Southton. While the allegiance of the Southton voting representative was not as determined as the City, Weston and Easton members, their location on the outskirts of the City region meant that they tended to follow the lead of their larger neighbour. Despite intensive lobbying from Weston, Easton and from Dan in support of Chris’s campaign, when the time came to vote Southton voted with City and Chris was deselected in favour of Wilf.

#### **7.4 Negotiations Deadlock**

The regional splits within the CNC were therefore coalescing into two competing subgroups, with the conflicts between the two seriously threatening the unity of the CNC. The strain produced by the dissonance in the collective bargaining forum was creating powerful centripetal forces within the CNC, focusing the

tensions inwards. These tensions were then following existing lines of weakness within the network and re-activating inherent conflicts within the group,

**Mark, “This meeting on this side, this on the other”**

Consequently, the CNC’s negotiating tactics and collective identity were in disarray and the CNC’s structure was in danger of unravelling if the group failed to resolve their internal dissonance. As the final stages of the negotiations approached, the CNC could not pull their network structure together in order to reach a consensus. This resulted in an inability to decide on which identity framework to adopt,

**Mark, “Which way are we going then? We still have nothing concrete”**

Without a unified identity, the group was so tied up in defensive and internally antagonistic efforts that they could not operate externally. As such, the CNC was not in a position to be able to make or take any lasting decisions on how to approach or progress with the negotiations,

**Alf, “At the moment we’re lost”**

## 8. The Search for Identity Stability

While the regional basis for conflicts over the collective identity of the CNC achieved greater significance as the negotiations progressed, from within the CNC there was also a clear recognition of the centripetal forces at work. The weariness of the CNC with constantly revisiting identity convergence only to follow this with returns to identity divergence was clearly telling on the network and the longer the negotiations and identity dissonance remained unresolved, the stronger the feeling became that the CNC were caught in an endless loop - that they were “going round in circles” (Alf). This was coupled with an increasing desire to resolve the identity dissonance experienced by the network by reaching a final decision (which would then indicate which identity framework was dominant within the group) and concluding the negotiations. The dominant desire within the CNC to attain identity stability consequently aided in moving the negotiations closer to an agreement. However, the union group’s desire for a decision on identity stability was also obstructed by the reawakened and established regionally based conflicts within the CNC formal network.

Despite the internal conflicts and hostility, the informal influence of the worker directors over the CNC remained strong and it appeared that their influence with management was also beginning to tell. Nevertheless, identity stability was not easily attained. By early May, the worker directors had succeeded in brokering a meeting between the five branch Chairs and the Operations Director. This behind the scenes informal influence resulted in the worker directors’ proposal once more being put to the collective bargaining process for serious consideration.



Management's comments that their suggestions were in line with CNC expectations indicated and illustrated the re-establishment of a common framework of understanding for the negotiations. The worker directors had therefore managed to broker the necessary element for the negotiations to break out of their deadlocked state, a common framework of understanding within which the two formal groups could meet and discuss the progress of the negotiations.

### **8.1 CNC Identity Convergence**

Consequently, the CNC were at a point in their search for a solution to the negotiations and in their search for identity stability where they were prepared to put aside their regional conflicts in order to facilitate unity and therefore an agreed path of action for the CNC,

**Darren,** "Management's documents last time were very misleading. If you want to amend your original proposal fine, but we must stand up soon as a body to them. We fetch the money in, we're managing, they're doing deals with this, salting it away and so on. They're trying it on"

**Wilf,** "And unity is strength and if one goes it alone it'll loose it and we'll all loose. You will win it at Weston but you can't win the dispute. Let's stay together ... lets get this straight and we've all got to sing the same song"

Significantly, the CNC had now become supportive of and not hostile to the actions of the worker directors, indicating their desire for identity stability. There was widespread recognition of the worker directors' central role in promoting a new common understanding for the negotiations, and thus ultimately for identity stability for the CNC, by enabling them to approach a final agreement with management,

Alf, "He's [Owen Jones] moved quite a bit, therefore someone's been hammering away at him"

If the CNC had not accepted the use of the worker directors' informal network, then their only choice would have been identity divergence, since identity convergence under those conditions would have been impossible. In this alternative scenario, the CNC would have remained in dissonance with management and therefore could not have understood or been aware of management's intentions. Therefore, the CNC would not have been able to incorporate management's goals into a holistic agreement. In accepting the worker directors' influence and negotiations proposal, the dominant trend within the CNC was therefore to agree on a unity of identity within the new ESOP-led identity.

However, identity stability was not readily accomplished. The solution of informally brokering an agreement between management and the branch Chairs presented one serious problem, the exclusion of the rest of the CNC from this decision-making process. In particular, Mike - a noticeably dominant, leading and

vocal City member, but not a branch Chair - had not been party to these discussions. While the elite meeting of the branch Chairs with management had overcome the regional divisions between the branches through reaching this common agreement, it had also produced new tensions within the CNC based on unequal access to decision-making,

**Mike, “Is this a private conversation between Jerry and the Chairs?”**

With his exclusion from the recent cross-regional understanding, Mike was unaware of the resolution of the CNC’s regional divisions and therefore had lost branch support for his unilateral actions.<sup>21</sup> Out of step with these developments, he was criticised for not being able to see beyond the regional divisions,

**Tim, “It’s not just to do with City, Mike, there’re other people as well”**

Mike therefore represented the alternative identity version of the CNC, one of established identity divergence, and was consequently operating within the established collective bargaining reality. His attacks on the branch Chairs were therefore aimed at breaking up the new cross-regional clique that had formed within the CNC network, and from which he was excluded. Consequently, the

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<sup>21</sup> Mike had taken unilateral action and had written a letter to the Board criticising the actions of Chris, and the introduction of low cost units, without the support of his branch, “Mike wrote it without branch ratification” (Saul).

information he received from EBTI was interpreted within a different framework of understanding to the other CNC members,

**Mike, “The wage bill reduction is another agenda, told to us in EBTI”**

**Dan, “His [Owen Jones] agenda is to lower wages cost, if *yours* is to redistribute them you’re miles apart! You’re not in the same stadium, you’re playing in different fields! I think there’s a vast misunderstanding”**

**Mike, “We’re wavering and selling our conditions”**

**Dan, “We’re living in a world in a commercial industry. Your points are either fundamentally wrong or unacceptable”**

Faced once more with identity dissonance resulting from these vastly different interpretations of the collective bargaining situation, the CNC expressed its anxiety and agitation over its inability to move towards identity stability,

**Jerry, “We’ve been going round and round the arguments”**

\*

**Mark, “We’re all moving in different ways, we can’t even agree between ourselves on what to say to them”**

\*

**Alf, “Round in circles again – it’s upsetting”**

\*

**Ron, “Why are we determined to go back and argue principles?**

**Please don’t go back again!”**

However, the majority of the CNC, including all the branch Chairs had agreed to support the worker directors’ ESOP-led proposal and accordingly, identity divergence was now perceived as a regressive strategy,

**Alf, “If we go with Mike’s proposal, it is steps backwards”**

**Dan, “We’re going round in circles. The CNC has two voices, one is Mike and the other is the others. We should vote on it”**

The CNC voted on whether it accepted the worker directors’ version of the situation, and the motion was carried by a majority vote with only Mike voting against the proposal. However, with a number of significant abstentions - Darren, Stan, Saul and Ron – this vote did not therefore mean that only Mike supported this version of the group’s collective identity. As the abstentions indicated, some CNC members remained silent in the debate and the voting, opting not to voice their opinions in this sphere. Having lost the vote, Mike was now unable to express his dissent in any formal manner within the group, and he opted instead for an alternative expression of protest and withdrew from the debate, sitting silently, scowling, throughout the remainder of the meeting,

**Alf, “Mike’s in a sulk!”**

**Dan, “Mike – smile”**

## **8.2 Management Identity Divergence**

However, despite the common ground which the two formal networks apparently now occupied, remnants of the established negotiating patterns of interaction remained,

**Owen Jones, “I’ve given you *half!*”**

While the negotiations had apparently reached a common framework of understanding, and some identity convergence was acceded by both formal networks, the language used by management indicated two notable management identity indicators. First, that management believed they had control over the allocation of resources within BusCo and were able to ‘give’ resources to the union. Therefore for management, the equal ownership of these resources under employee ownership did not come into play in these negotiations. This suggested their continued use of an established approach to collective bargaining. Secondly, it indicated that management conceptualised the negotiations as a quid pro quo arrangement, where the gain for one group was at the loss of resources to the other party. Therefore, while the overt approach to the negotiations by the formal networks apparently indicated that they had reached a common understanding

(and the associated identity convergence which facilitated this), the language used, especially by management, indicated otherwise. It suggested that management in particular did not understand the new collective bargaining framework and that their approach to the negotiations framework remained unaltered by the worker directors' informal influences.

### **8.3 CNC Response**

From the CNC's point of view, the union group had opted for an identity convergence solution to the negotiations and had voted to accept management's latest document, with the proviso that the union and management could agree on an acceptable wording linking progression to the senior rate of pay for drivers with company performance. However, while the motion was carried by a majority vote, it was significant that of the three members who voted against the motion, Mike had now been joined by Wilf and Ron – all City representatives. This lack of unanimity proved not only to be a serious stumbling block for moving the negotiations out of deadlock, but at the same time exposed the weakness of the CNC in their ability to conclude the formal negotiations with management.

With the return of the management team, Wilf, who had voted against the motion, began to negotiate unilaterally with management for open admission to the senior rate, a stance which ran counter to the CNC's majority decision on the matter, and notably counter to the advice of the worker directors. This demonstration of unilateral action highlighted the fact that the CNC was principally a loose

association of regional chiefs, only negotiating together under duress. In this instance, the democratic decision of the CNC was negated by Wilf's actions within the formal negotiating forum, actions which the CNC could not oppose while management were still at the table, since that would expose their internal divisions and weakness. Consequently, management (as the worker directors had suggested) refused to accept Wilf's terms for progression to the senior rate and the negotiations once more stalled.

With the negotiations once more in deadlock, the CNC voted not to continue to negotiate with management without an agreement on opening up progression to the senior rate of pay. Therefore, the CNC's identity stance had shifted from an acceptance of the worker directors' ESOP-led identity convergence, back into their established position of identity divergence. This movement in collective identity had been principally engineered by the City members of the CNC. However, the CNC's formal decision did not indicate unanimous support for this strategy, for while the vote had been carried by a City majority there had been a number of Weston and Easton abstentions. As Alf indicated once the formal CNC meeting had been dissolved, no one from Weston or Easton had voted for the proposal since "they couldn't be seen to do that due to politics".

#### **8.4 Worker Director Informal Influence**

While an agreement with management had therefore not been reached, the CNC were still seeking identity stability and so a final formal meeting with



management was arranged. However, even before the meeting began the regional divisions within the CNC were tangible, with the City representatives sitting at a separate table in the canteen to the rest of the CNC and worker directors. Once the CNC met formally, the Chair handed over leadership to Dan, who confidently predicted that an agreement would be quickly reached with management,

**Mark, “Right, will you lead Dan?”**

**Dan, “Not lead, discuss. I’ve talked to individuals of the committee and then I spoke to Owen Jones the other day. I asked him to call the CNC today and present his document. The only change is wording about the senior rate of pay. He will present even though I think I know the wording in it”**

Since the last unsuccessful attempt to conclude the negotiations, the worker directors had therefore been involved in further informal meetings with both formal networks and were confident that they had once again secured a common framework of understanding within which the groups could reach an agreement. However, once management’s offer arrived on the table it was clear that management’s formal response did not indicate any change in their established approach as a result of worker director interventions,

**Saul, “May as well piss off now”**

**Alf, “Why carry on?”**

**Dan, “I presume his document when he comes is different”**

**Saul, “Got today’s date on it – this is it”**

**Dan, “*Not* the document I expected”**

**Chris, “It’s not the one we agreed. They tell us one thing and do another”**

**Tim, “Not what you were hinting!”**

However, the worker directors remained confident of their informal influence over management’s identity,

**Dan, “Can Chris and I be excused for five minutes please?”**

As a result of further worker director interventions with management, Dan reported that management were rewriting the document,

**Dan, “He’s rewriting the document. We exchanged words - there was a misunderstanding of the agreement and he’s rewriting it now, more in line with what we’re expecting”**

The ability of the worker directors to manipulate and lead the collective bargaining framework did not however end with informal influence and was

carried over into the formal negotiations between management and CNC. Dan took the lead in the formal negotiations sphere and responded to management's negotiating procedure,

**Dan, "I thought you [management] were producing another document?"**

**Owen Jones, "I want first to agree the wording with you"**

**Dan, "Yes, that's the important bit"**

**Owen Jones, "Therefore write it from June 1<sup>st</sup> that ..."**

**Dan, "That'll do"**

Yet, despite the formal interventions of the worker director, management anxieties over the objectives of the CNC persisted, highlighting the enduring dissonance between the two formal networks,

**Owen Jones, "What you're trying to do - so far you've got me to agree to ..."**

**Jerry, "Are you saying that new starters are no saving? Owen, you're missing the point"**

**Owen Jones, “I must be, I haven’t offered that!”**

**Jerry, “I believe you have!”**

**Owen Jones, “I have *not*! Maybe you’re being thick”**

**Jerry, “It is late in the afternoon, but ...!”**

With no agreement yet in sight, once management had retired from the formal negotiations the frustrations and divisions within the CNC surfaced. Mike again disputed the basis of the document that the CNC were negotiating. These obstacles in the path of the CNC’s movement towards identity stability resurrected the identity anxieties within the group,

**Alf, “Groundhog Day<sup>22</sup> – we’re there! We must be crackers, we must bring this to a conclusion and I don’t want to go round, go there again. Chair, get a grip of the meeting and sort it!”**

**Darren, “The difference with Alf’s film is the bloke in it learnt something and we *haven’t*!”**

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<sup>22</sup> Groundhog Day was a US film released in 1994 which told the story of a cynical and jaded newspaper weather reporter (Bill Murray) sent to a small town to report on the annual appearance of the eponymous groundhog. The actions of the groundhog on its appearance were used by the townsfolk to foretell the weather for the forthcoming year. In the film, the reporter spends one day in the town, files his piece and retires to his hotel room, only to wake the next morning to discover that he is reliving the same day. This one day repeats itself continually, that is, until the reporter becomes tired of the same activities, changes his behaviour and becomes a ‘reformed’ character - only then does the repetition cease and he is free to leave.

To resolve the endless rounds of static arguments within the group, Wilf took control of the meeting and suggested a vote on the new wording on progression to the senior rate of pay, where progression was linked to company performance. This time, the worker directors' proposal was carried by majority vote, with some of the City and Southton representatives, Tony, Mike and Tim voting against it.

The CNC had therefore voted to accept a final document, one brokered and negotiated through the strong informal influence of the worker directors. However, while the lack of unanimity in the vote indicated that the regional divisions within the CNC remained conspicuous, the majority vote meant that these regional splits had been overruled by the majority in preference for the option of a formal agreement. Thus, the CNC had voted for a stable identity within the ESOP-led framework of identity convergence.

## **8.5 Consequences for the Negotiations**

At the next meeting of the CNC a week later, these regional splits within the CNC had become hardened and well established. Mike, as representative of the divergent collective identity, argued that the situation that the worker director brokered document presented the membership with was worse than the situation that the CNC had started with. Both City and Southton representatives were now unanimously supporting Mike and looked to him for their voting pattern, waiting to see whether his hand was raised before voting themselves. All of the City and Southton CNC members voted against accepting management's offer, while all of

Weston and Easton voted for the offer. The Chair therefore had to use his casting vote, which he cast with the Weston/Easton cohort, and the (worker director brokered) agreement was ratified. It was also decided, as a consolation to City, that they were free to negotiate their own deal on the minutiae of the agreement.<sup>23</sup>

The TGWU membership at BusCo were balloted on this final agreement. However, the identity dissonance that was apparent in the penultimate meeting (where the decision was not unanimous) continued, with the City and Southton members of the CNC campaigning to get the agreement rejected by the membership even though officially the CNC were supporting the document. City and Southton were therefore acting unilaterally and unofficially in campaigning for the membership to reject the agreement, while management and the CNC together sent out letters to the work force “on BusCo paper – not even T&G!” (Mike), advising the workforce to accept the offer.

Ultimately, the membership rejected the agreement - a result that was especially strong in City. Following this rejection, the CNC went on to ballot the membership on whether they were prepared to strike over the agreement. This ballot result was very close but was “narrowly defeated” (Mike), and therefore by default the worker directors’ proposal was accepted.

However, the reservations explicitly expressed by the City and Southton members over the alterations in CNC identity that this agreement indicated were mirrored by some in the management cohort. Not all of BusCo senior management were in

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<sup>23</sup> On the non-demarcation of drivers and on overtime pay at City.

agreement with the final offer and the alterations in management identity that it entailed, and reportedly felt that the management negotiating team had “dropped a bollock” (Chris) and that they wouldn’t realise the savings expected from the agreement.

While the influence of employee ownership, operating through the worker directors’ informal network, had been a major factor in the establishment of the new negotiating framework, the divisions within the CNC had proved resistant to even these efforts to create a unitarist and harmonious collective identity for the CNC and collective bargaining framework. The regional divisions that remained within the CNC were reinforced in their collective consciousness by this series of negotiations and especially by its particularly divisive conclusion. While the ESOP-led identity ended up as the dominant identity, this was not a unanimous identity for either the CNC, their membership, or for BusCo’s management, and therefore could not be a stable identity for either the CNC or the company.

## **8.6 Epilogue**

Identity dissonance was therefore a permanent factor of both the CNC network and the collective bargaining sphere at BusCo.

Two years after these negotiations were concluded, the BusCo ESOP ceased to exist. The company and its employee-owners voted to accept a takeover offer

from FirstBus.<sup>24</sup> While the sale of the ESOP generated large windfall payments for its employee-owners, this occurred against the wishes and campaigning of the worker directors, especially Dan - who resigned from his post and withdrew from any further involvement in the running of the company. While FirstBus continued to operate a small scale and minority ESOP, given the insignificant ownership rights it conveyed to the employees<sup>25</sup> and the lack of stability and hold that the ESOP-led identity had on the organisation, the CNC or its union membership, it was unsurprising that with the sale of the company, the ESOP identity was also erased.

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<sup>24</sup> FirstBus (now FirstGroup) had held 20% of BusCo shares at the time of these negotiations, in return for a massive cash injection into the company.

<sup>25</sup> Around 3% employee ownership within a much larger, national company.



# **Chapter Seven**

## **Comparative Analysis**

### **1. Introduction**

The case studies chosen for this research were selected for their similarities and also importantly for their dissimilarities. The contrasting features of the two ESOPs selected therefore permitted a comparative analysis of the influence and effects of employee ownership and control under different circumstances and on different network forms and patterns. Any generalisable and constant effect of employee ownership and control across different environments should therefore become apparent through this comparative analysis.

#### **1.1 Employee Ownership and Control**

Both NurseryCo and BusCo had been bought by their employees using the statutory ESOP mechanism. However, given their difference in size, network structures, and in environment, the two ESOPs operated in very different ways. The NurseryCo ESOP was often referred to by its members as ‘the cooperative’, and legislation permitting, was largely run along those lines – with direct participation formally promoted when possible. The BusCo ESOP on the other hand was a much more formalised affair – in line with the more formalised relations and culture in evidence within the organisation.

Forms of employee control therefore differed between the case studies, with the form of employee participation being largely determined by workforce size. While at NurseryCo, the small number of employees permitted direct and individualised employee participation, the much larger workforce at BusCo meant that collective and representative participation was practised, both via the trade unions and via the election of the worker directors.

Apart from employee control, levels of employee ownership were also dissimilar. While both ESOPs had been established as 100% employee-owned organisations, their development and growth had altered this ratio considerably. Of NurseryCo's seven employees (six full-time and one part-time), only three, i.e. less than half, were employee owners, giving a degree of employee ownership at NurseryCo of only 43% of the total workplace network. At BusCo, however, employee ownership, while no longer 100%, still stood at 80%, still a controlling percentage. The different ownership routes that the two ESOP had taken also had implications for the proportions of the workforces who had no ownership rights within the organisations. NurseryCo obviously had a majority of workers, 4 of the total of 7, who were not employee-owners. In contrast, at BusCo, while employee ownership stood at only 80%, all of the BusCo employees were still employee owners. The only non-owners were the employees of the subsidiary companies.

## **2. Network Context**

### **2.1 Context Similarities**

A commonality between the two cases was their enforced propulsion into employee ownership and control. Neither were ideologically propelled employee buy-outs, but conversions brought about as pragmatic responses to a changing environment. In both instances, the organisations used employee ownership and control not as a mechanism to achieve change, but as vehicles which would protect the established status quo within the employee body. For NurseryCo, the rationale had been to protect the atmosphere of harmony that the employee group had built up within the workplace. BusCo on the other hand used the ESOP mechanism to protect jobs, pay and conditions and importantly the formalised conflictual relations within the organisation. Thus, the ESOP protected the established power spheres of the two most influential networks within the company, the union and the management blocks – and the formal relationship between these two networks. In this way, employee ownership and control was chosen by these organisations as a means to prevent change from occurring within the workplace networks, therefore any change that did occur as a result of the conversions was unanticipated.

## 2.2 Context Dissimilarities

However, the similarities between these two ESOPs extended no further. The network that was worth protecting at NurseryCo was the informal network of equalised and harmonious relations between the employees. The ESOP had been used to prevent any externally imposed members from disrupting the condition of the informal network or members' control over the status quo within the network. In contrast, the BusCo employee buy-out was intended to protect the formal workplace networks and most importantly to prevent change from occurring in the established relationships between the networks. In this respect, employee ownership and control was used to protect the status quo and collective identities of very different network forms.

In addition, the external environments and histories of the networks differed greatly. While the BusCo networks were situated within a larger macro-economic environment of established and adversarial relations between capital and labour, NurseryCo had no such external or macro associations. The BusCo networks therefore had an established history of oppositional bargaining both between the immediate management and union networks and between their national representative bodies and political parties. NurseryCo, on the other hand, had no such formalised and established adversarial relations. For the NurseryCo network members, their external social influences were more informally and locally generated and centred on family and friendship networks. This external environment was common for other, conventionally owned nurseries in this

industry also – a traditionally un-unionised and unorganised sector, with no formalised cross-cutting relationships between different establishments nationally.

### **3. Network Form and Pattern**

#### **3.1 Social Networks**

The consequences and advantages of using a social network based methodology for the study of attitude and identity changes in employee-owned and controlled organisations have been considerable. The particular methodology used for this thesis has permitted the uncovering of complex and contextual motivations within networks of vastly differing sizes and structures. It has also permitted the examination of hidden areas of conflict and tension, through the examination of collective identities.

The two case study networks examined differed vastly in terms of network size, form and pattern. Whereas the NurseryCo social network was composed of a small homogenous group with one principal collective identity for the organisation, the industrial relations framework at BusCo was made up of three distinct collective identities and three very different social networks.

#### *Nursery Co*

NurseryCo comprised two workplace network forms, however both networks contained the same personnel and therefore there was a complete network overlap within the ESOP. The first network used within the organisation was the formal network associated with employment contract and job titles. This network was formal in that the positions were held separately from those who occupied them – this was in turn dictated by legislation, where a certain number of trained staff

were required per group of children. The legislation also required a hierarchical job structure, specifying the need for an Officer-in-Charge, a Deputy Officer-in-Charge and so on. This explicit and predetermined structure created a concentrated interaction network pattern within the formal network, which provided its members with static and relative levels of status.

The second network form within the NurseryCo ESOP was the workplace informal network. While the membership of the informal network was identical to the membership of the formal, the network pattern differed significantly. The informal network was made up of voluntary, friendship connections between the women and exhibited a more dispersed interaction pattern which included a number of clear and cohesive subgroups. However, it also created more explicitly peripheral positions. Whereas the formal and concentrated interaction network at NurseryCo demonstrated a significant number of poorly connected members at the bottom of the network hierarchy, the informal network provided the opposite structure, with a large number of well connected individuals and groups and a small number of isolates. These isolates were therefore relatively more disadvantaged and separated from the rest of the network as a result of the peripheral position within the informal network.

### *BusCo*

BusCo also possessed both formal and informal networks, with a significant but not total overlap between memberships. Therefore, unlike NurseryCo, the network overlap at BusCo was incomplete. The industrial relations sphere was

comprised of two formal networks – management and CNC, however their network patterns differed greatly.

While the management network exhibited a clearly concentrated interaction pattern, based on a job hierarchy within the organisation which centred on the leadership of the Operations Director, Owen Jones, the union network demonstrated a clearly dispersed interaction pattern. The CNC formal network exhibited a number of competing and equally influential leadership positions based on the TGWU Branch composition of the union negotiating team.

The informal network at BusCo was explicitly linked to the ESOP, having at its hub the two platform staff Worker Directors. However, unlike NurseryCo, the BusCo informal network displayed a concentrated interaction pattern, with a concentration of informal communications on the central figures of Dan and Chris.

### **3.2 Influence of Employee Ownership and Control on Network Pattern**

#### *Dispersed Interaction Network Incidence and Influence*

As authority based on ownership and control of resources in an employee-owned and controlled organisation is equally distributed among the employee-owners, it was hypothesised that employee-owned and controlled firms would exhibit a higher tendency towards dispersed interaction network patterns (formal and informal). The findings support this assumption and indicate that dispersed



interaction networks are common and influential elements in the two case studies. While the NurseryCo formal work network was by legal necessity a hierarchical, concentrated interaction network, its informal, ESOP-identity network displayed more dispersed influence tendencies. However, while this informal network possessed a number of leadership positions, it also demonstrated notable isolationist network tendencies and thus the dispersal of influence was not evenly spread. At BusCo, the formal CNC network was characterised by a dispersed interaction pattern and also demonstrated a number of leadership positions, but with a more evenly balanced distribution of influence throughout the network.

However, while both ESOPs demonstrated important organisational influence for their dispersed interaction networks, these networks were not necessarily associated with employee ownership and control. While at NurseryCo, the dispersed interaction network was directly associated with the ethos of the ESOP and its friendship connections, this was not replicated at BusCo. At BusCo, the organisational networks associated with the ESOP displayed both concentrated and dispersed interaction patterns, and in this case employee ownership and control was not a significant factor in predicting network pattern. While the management negotiating team comprised a concentrated (and formal) network pattern, the ESOP-led network of the Worker Directors also demonstrated a concentrated interaction structure, where informal communications were disproportionately concentrated at the centre of the network. This centralisation of influence was the primary cause of the City Branch's desire to place a City representative in one of the central, influential, Worker Director positions. The dispersed interaction network observed at BusCo was the formal union (CNC)

network, comprised of its equally powerful and competing Branch subgroups – a network which pre-dated the ESOP.

The two case studies do not therefore suggest a causal link between employee ownership and control and the equitable distribution of influence within workplace networks (i.e. between ESOPs and dispersed interaction networks).

### **3.3 Influence of Employee Ownership and Control on Network Form**

#### *Informal Network Incidence and Influence*

However, the case study organisations did demonstrate a relatively high organisational influence for networks, of both patterns, which exhibited direct associations with employee ownership and control. This suggested that, while the assumed causal link between employee ownership and control and the equitable distribution of influence in organisations (i.e. the link between ESOPs and dispersed interaction networks) may be false, the association between ESOPs and ESOP-led network influence itself held true.

While the role of the ESOPs in generating the influence and incidence of dispersed interaction networks has been largely discounted, the evidence points towards the effect of employee ownership and control on the influence and incidence of different network forms. The common factor linking both NurseryCo and BusCo's ESOP-led networks was their informal nature. Both informal networks also demonstrated considerable organisational influence.

The main forum for ESOP-associated discussions and the vessel for the ESOP-associated values and behaviours at NurseryCo was the informal network. The influence of the informal network with conversion to employee ownership and control meant that the significantly influential informal network member, Fay, also held an influential position in organisational decision-making within the ESOP. The position was reversed for the isolated informal network member, June, even though she held a more formally influential position than Fay. While the three directors had invited June to become a member of the ESOP, June's peripheral informal network position was reflected in her indifference to the ESOP and lack of interest in membership thereof, whereas Fay was enthusiastic about the promise of an invitation to become an employee-owner.

The BusCo network situation again differed to that at NurseryCo, in that the ESOP-identity-holding network was the Worker Directors' informal network of contacts within the industrial relations sphere. Despite the formation of formal networks associated with formal ESOP roles – EBTI and EBTII – the established formal networks had largely emaciated these structures and co-opted them into their established identity frameworks. Only the Worker Directors' informal network that had developed as a direct result of the employee buy-out therefore held the independent ESOP-identity. Since this informal network was a concentrated interaction network, the influence of its leadership - the platform staff Worker Directors, Dan and Chris – was significant. This significant level of influence within the network created the opportunity to influence the formal negotiating networks with which the informal network overlapped and thus

extended the authority of the Worker Directors into the collective bargaining sphere.

### **3.4 Conclusions**

The evidence therefore implies an increased level and influence of informal network forms in the employee-owned and controlled organisations studied. Since it was the informal networks that held a significant portion of the influence within these organisations, the ESOPs therefore demonstrated considerable authority vested in their alternative authority structures. Consequently, socially derived influence had risen in importance within these employee buy-outs. Therefore, the assumed increase in importance of alternative, socially derived sources of influence may hold true in employee-owned and controlled organisations, not via dispersed interaction networks but via an alternative mechanism and network form.

The overlaps between formal and informal networks meant that employee ownership and control had therefore resulted in more communications and flow of information throughout the organisations. Due to the influential organisational roles of the informal networks, communications and information flow were not restricted to the formal networks – either established or ESOP-associated. This was despite the preservation in both case studies of the formal management and control structures. The improvement in communications had therefore increased the influence of employees as a followership within the organisational networks

since they were now better informed and connected with the central hubs of authority within the ESOPs.

While communications within the organisations studied had been improved through employee ownership and control, this had not occurred in any formalised or codified way. Therefore, the preservation of the communications and information benefits to employees of employee ownership and control were not formalised since they were held within the informal organisational networks. Moreover, the nature of the informal network means that it is susceptible to alteration and change – the positions which were necessary to facilitate the flow of information and communication within the ESOPs were not independent of the office holders and were therefore fragile. The fragility of the situation was demonstrated by the BusCo Worker Director succession conflict.

The ESOPs examined therefore experienced significant influence of employee ownership and control on their network forms and patterns. While both exhibited influential dispersed interaction networks, this network pattern could not be attributed to the influence of employee ownership and control. Therefore the more equal distribution of ownership and control through the ESOP mechanism had not influenced the incidence of networks which themselves exhibited a more even distribution of network influence.

However, the influential positions of the workplace informal networks in both ESOPs was attributed to the alternative distribution of ownership and control. The influence of informal networks had improved communications within the

organisations, but not in any formal or codified manner. Moreover, the improved communications had not resulted, as the literature suggested, in improved organisational harmony.

## 4. Networked Conflict

However, in both cases, the end result of conversion to employee ownership and control had been less predictable than either network memberships had anticipated. Far from protecting the status quo within the organisations and their networked relations, the advent of employee ownership and control had resulted in significant changes. However, while the changes anticipated by the memberships had been towards a harmonisation of the working environment and relations, the outcome of employee ownership and control was proving far more conflictual.

Consequently in both case study ESOPs, despite the claims for harmony, conflicts produced by employee ownership and control were apparent. In this respect, there was a commonality of experience between the two case sites. However, the form and function of the conflicts associated with employee ownership and control were quite different – and resulted in large part from the different networks' forms, patterns, contexts and collective identities. While both organisations experienced conflict as a result of conversion to employee ownership and control through the ESOP mechanism, their workplace networks, ESOP-related networks and therefore their networked conflict expressions differed significantly.

While the types of tension most evident at NurseryCo were the covert and suppressed conflicts played out between the members, the tensions evident at BusCo were principally of the overt and direct types. These differences can largely be accounted for by the different network structures apparent in the two case study organisations.

## 4.1 Conflict and Network Form

The conversion to employee ownership and control had resulted in increased centrality for workers in both the organisations' influence structures, both formal and informal. There was therefore a less immediate equation of organisational leadership with company management and a greater association of leadership with employees and their representatives.

### *BusCo*

Conflict became apparent at BusCo as a direct result of this increased centrality of workers in organisational leadership roles. When the employee representatives, as part of their ESOP roles, became co-opted into the management and running of the organisation, although they were not a part of the formal management network, conflict within the rest of the organisation resulted. Essentially, as a result of the creation of organisational worker-leaders, conflict was relocated down organisational tiers at BusCo, and this applied to both workers and to management. In effect, shopfloor workers and their immediate management had become peripheralised and relatively more isolated by the co-option of the employee leaders into the leadership of the company. In this instance, the conflict resulted from changes to the influence structures in the organisation's formal networks, with the union representatives perceived as having 'gone over' to management by their constituents, while middle management also felt peripheralised by the introduction of the worker directors into the formal company management structure, with their attendance at management meetings at all levels. Therefore, while conflict between the formal networks of employees and



management would be the expected principal form of conflict observed in organisations with formalised industrial relations structures and relations, at BusCo, as a result of the changes that conversion to employee ownership and control had wrought on the organisational leadership structures, alternative conflicts within these formal networks were also found. Consequently, within the formal employee network, conflict was apparent between members with differing network positions and influence. Tensions were also evident within the formal management network, for the same reasons.

### *NurseryCo*

At NurseryCo, the centrality of employee leaders also resulted in conflicts through the peripheralisation of organisational members. While the ESOP had succeeded in maintaining the appearance of harmony, it had not succeeded in creating a robust, harmonious workplace network. Conflict between the staff was apparent at all positions and levels within the organisation. In this situation, conflict had been transposed onto peripheral members of the informal network, principally June. Since the formal network leaders had involved centralised members of the informal network in the management and leadership of the organisation, the tensions between formal network influence and informal network isolation were reinforced.

As the ESOP had not been intended to create any new forms of relationship between the members but to protect the type of relationships that had existed prior to the conversion, then the ESOP could be said to have been a success in achieving this static purpose. However, in protecting the existing network

relations among the employees, employee ownership had brought to the fore the importance of the informal network at NurseryCo, and consequently the fragilities in this network were being over-exposed. The increased emphasis with employee ownership on the informal network meant that the long-term purpose of the ESOP, the maintenance of a harmonious working environment, was being undermined by the very structure that was intended to protect it.

The ideology of harmony that was directly responsible for the establishment of the ESOP, had created new levels and types of conflict within the group. More importantly, this ideology precluded these tensions from being aired openly and thus resolved. Instead, the protection of the collective identity of the ESOP-led informal NurseryCo network called for conflicts to be essentially covert, indirect and therefore largely unresolvable. Consequently, the ESOP was in danger of engineering its own failure.

Therefore, incidence of network form, formal and informal, influences the types of conflict found in organisations. While the formal network may be more influential in a conventionally owned and organised firm, in the employee-owned and controlled firms studied, the informal networks possessed high degrees of organisational influence as a direct result of conversion to ESOP form.

## 4.2 Conflict and Network Pattern

In the case studies, the increased influence of the informal networks, as a consequence of conversion into ESOPs, meant that conflict between employees had become more prominently a product of social network forces. However, this situation differed between the two organisations. While the literature suggested that it was principally within highly centralised networks that a reduction in group harmony would occur - through the isolation of peripheral members or the trapping of information within a clique – however contrary to expectations, conflict was apparent in both dispersed interaction networks examined.

### *BusCo*

The network structure of the CNC's dispersed interaction network at BusCo was the principal source of its conflict expressions. The equally distributed influence between the leadership of the various TGWU Branches that made up the network produced internecine conflicts within the CNC. These conflicts arose directly from the power struggles between the Branches for control of influence and identity within the union group. While the new ESOP-led identity became incorporated into these conflicts, it was the actual pattern of the network that produced the internal tensions associated with identity conflicts within the group. The principal axis of conflict within the CNC was between the City and the Weston Branches. This main schism also incorporated the other Branches, with Southton aligning itself with City and the others with Weston. In this respect, the balance of influence between the leaderships was maintained – influence was at all times equalised within the CNC dispersed interaction network. However, the

incorporation of the ESOP representatives, the Worker Directors, into the negotiations framework had seemingly unbalanced the formal CNC network pattern since both Worker Directors were members of non-City TGWU Branches. Dan was a member of the Weston Branch and Chris a member of the Easton Branch. In an effort to maintain the equalisation of influence within the network pattern of the CNC, the City Branch effectively removed the Easton Worker Director and replaced him with a representative from the City Branch. Thus the conflict-generation produced by the equalisation of influence within the CNC network was maintained and protected by the network itself. Therefore, the trapping of influence within equally balanced cliques was the basis for the type of conflict expression observed within the CNC.

### *NurseryCo*

In the NurseryCo dispersed influence network, the existence of numerous subgroups, and principally the existence of isolates, created new tensions associated with the influence of the informal dispersed network in the leadership of the organisation.

The pattern of the dispersed interaction network included a number of leadership positions associated with various subgroups of equalised informal influence. However, unlike BusCo, the conflicts observed at NurseryCo were not between the equally balanced leaderships and subgroups, but between core leadership positions and network isolates. As a result of her peripheral informal network position, June experienced a relative lack of network support that made her the easiest target for the expression of network tensions. The equalisation of

influence between the dispersed interaction network leaderships meant that June's one connection - to Gill, one of the subgroup members and leader of the formal network - was useless in protecting her from the conflicts generated by her dispersed network peripheral position. Within the dispersed interaction network, Gill possessed influence equal to many other members and therefore not sufficient to change the conflict expression form without running the risk of creating conflicts between the subgroups. Therefore at NurseryCo, the incidence of conflict through the isolation of peripheral members was occurring within the dispersed interaction network and not within a concentrated interaction pattern as predicted by the literature. However, the more covert conflicts found in this type of dispersed interaction networks are less amenable to measurement and this may therefore account for their being overlooked by much of the literature.

Consequently, while the literature suggests that if information flows unobstructed in all directions it is easier to dissipate tensions, the evidence from this research suggests that dispersed interaction networks experience as much conflict as concentrated interaction networks, although the conflict may be of a different type.

### **4.3 Conflict and Network Context**

However, the large part of the network analysis literature contains no consideration of the context or wider social forces that may operate on the group and its means of expressing conflict. Yet, it was clear from the case studies that

the size of the organisation and its workforce influenced the type of conflict found in these firms. Principally, this resulted from the different network forms and patterns that had been established in the organisations. As NurseryCo was a small workforce, its networks (both formal and informal) were able to operate along direct contact lines between network members. However, the size of the BusCo workforce and its division between different occupations and locations meant that direct communication between all network members was an impossibility. Therefore, network communication at BusCo had developed along the lines of representative participation within and between the networks. In addition, the BusCo ESOP also possessed more than one of each form of network, its formal communications for example were divided between the management, union and ESOP formal networks, while NurseryCo exhibited only one formal and one informal network.

These differences accounted for much of the difference in forms of conflict expression. While direct conflict expression was rare in NurseryCo, the small size and lack of diversity of its networks can account for this. Direct conflict expression under this network situation ran the risk of escalation into whole-network involvement and thus into entire network disharmony, which was counter to the ideology of the group. However, in the larger BusCo workforce with its formal divisions between networks, direct and overt conflict expression was the norm. Here, the organisational experience of established adversarial relations, coupled with the lack of direct informal relations between most of the parties involved in a conflict, facilitated this form of conflict expression. The networks at BusCo, while also retaining an ideology of harmonisation, were aware from

experience that direct overt expressions of conflict would not involve whole-network conflicts – they were principally conflicts between networks not within them. However, these learned expressions of conflict also carried over into intra-network tensions, and direct overt conflict expression was used within the CNC itself

#### **4.4 Conflict and the Degeneration Thesis**

In the two case study ESOPs, the experience of both a continuation of established conflicts, and the generation of new conflicts as a direct result of conversion to employee ownership and control, would therefore appear to support the degeneration thesis presented in the literature.

##### *NurseryCo*

At NurseryCo, the rationale for the conversion to employee ownership and control had been the creation of a harmonious environment, however it was this very ideology itself that was threatening the success of the exercise by generating new conflicts within the group.

##### *BusCo*

The degeneration thesis appears to be supported by the BusCo ESOP's inability to act as a democracy of employee-owners. Yet the BusCo experience diverges from the class identification alterations predicted by the Webbs, in that those attitudes and identities that were influenced and altered by employee ownership and control

proved susceptible to reversal to established class identities. In the BusCo example, the ESOP had produced unanticipated changes within the workplace networks. The maintenance of the status quo between the two formal networks at BusCo had been challenged by the existence of employee ownership and control. The rise in importance of the organisational informal networks with the advent of the ESOP had impinged on, added to and threatened the formal relationships at BusCo. While the formal networks continued to exist and interact in a recognisable collective bargaining sphere, the employee buy-out could be said to have achieved its goal of protecting the status quo at BusCo. However, the purpose of the ESOP was also to protect the established spheres of influence between these formal networks and here the growth in authority of the informal network was threatening the authority of the formal networks. As a result of the conversion, the Worker Directors had attained positions of considerable informal influence within the collective bargaining sphere and had managed to alter the framework and identities within which the formal networks negotiated. The conversion to employee ownership and control had therefore brought with it new tensions and areas of conflict that were threatening the established status quo within the organisation. In this respect, and in common with the NurseryCo experience, the ESOP at BusCo was achieving the opposite results to those intended by both management and unions.



## 4.5 Conclusions

From the evidence presented from the two case studies it is possible to conclude that employee ownership and control had produced conflict, both between employees and management and among the employee groups themselves. As a consequence of conversion to employee ownership and control, where formal and informal, concentrated and dispersed influence positions and networks overlapped in one organisation, conflict was the result.

In both ESOPs studied, unanticipated conflicts were therefore directly associated with the conversion to employee ownership and control. Given the incidence and importance of alternative authority structures and the influence derived from alternative social forces in employee-owned and controlled firms, the ESOPs had thus provided the scope for the unequal distribution of influence. This alternative distribution of influence within these organisations gave rise to conflicts based on socially derived status and membership of networks.

Yet, conflict expression was notably different in the two ESOPs, with NurseryCo exhibiting more covert and suppressed conflict and BusCo more open and direct conflicts. The research therefore suggested that there was a link between network form, pattern and type of conflict experienced by the ESOPs. While both conflict experiences at NurseryCo and at BusCo were a product of the increased influence of the informal networks within the organisations as a result of the conversions to employee ownership and control, the different expressions of conflict were a result of the different network forms and patterns within the two ESOPs.

Employee ownership and control had therefore resulted in some employee attitude changes in the two organisations studied, but significantly not in the direction expected by theory. Rather than increasing harmony, an unanticipated consequence of conversion to employee ownership and control had been the increasing disharmony within the ESOPs.

## 5. Networked Collective Identities

What was obvious from the observed conflicts at both NurseryCo and BusCo was that employee ownership and control had played a significant role in the generation of organisational conflicts. However, what has not been explored or answered so far is the process by which employee ownership and control had created organisational conflict. In both case studies, the dynamics of the relationship between the ESOP and conflict was found to be the existence, formation and influence of networked collective identities. At NurseryCo, the commonly held ideology of harmony was itself the genesis and *perpetuator* of many of the observed conflicts between network members. BusCo, on the other hand, possessed a number of different collective identities – management, union, and ESOP. The tensions between and overlaps between these different networks and their collective identities were the principal origins of observed conflicts within the collective bargaining sphere at this organisation.

### 5.1 Attitude Alterations

While both ESOPs presented their employee buy-outs as resulting in a more harmonious working environment, this was achieved via different mechanisms. At NurseryCo, there was little evidence of attitude changes from within the network itself – the ESOP had therefore not impacted on the established identities of the network members. What the employee buy-out had achieved at NurseryCo was the removal of those elements that had been obstructing the perceived

harmonious environment – the harmonious relations between those members who remained within the network had apparently always existed. Therefore, employee ownership and control had apparently liberated the group to work together in harmony, a harmony that had previously been submerged under more hostile relations with the organisation's former owners and employers.

At BusCo however, the employee buy-out was represented as the mechanism by which attitudinal changes had been wrought. In this case, the previous formal network relations within the industrial relations structures had apparently been adversarial and acrimonious, yet employee ownership and control had seemingly reversed these relationships and resulted in a more harmonious industrial relations atmosphere within the organisation. In both ESOPs therefore, employee ownership and control was represented as the means by which harmony had been achieved.

## **5.2 Attitude Changes with Employee Ownership and Control**

However, the means by which the ESOPs' workplace environments had been altered was different. NurseryCo claimed that the ESOP had liberated previously suppressed harmonious attitudes and tendencies among the network members, so that any claim for an attitude *change* associated with the employee buy-out was not made. However, BusCo did claim that the employee buy-out had altered the attitudes and identities of the formal networks, towards a position where they possessed common goals and understandings. However, the identity alterations

claimed were contested from within the ESOP. While senior management maintained that harmony had been created by union attitude alterations, the ESOP representatives made claims for the alteration of both management and union attitudes.

Therefore, employee ownership and control was claimed to have achieved harmonisation through two different means. In the first instance by removing the physical sources of conflict by altering the workplace network form and pattern. In the second case by altering the collective identities and attitudes of the networks without greatly influencing their formal forms and patterns.

Therefore, employee and management identities in the ESOPs examined were not as malleable as the literature suggests. This was due in part to the influence of socio-historical (collective memory) networks. It was also due to the rationales for the ESOPs, where both were established to protect the influence and identity status quo within the organisations and their networks.

The reversal of the attitudinal influences of the ESOP at BusCo can be attributed to the socio-historical network memberships, both internal and external to the organisation. What employee ownership and control at BusCo could not achieve was the formation of its workplace network identities through organisational influence and changes alone. The claims for harmony had therefore ignored the macro-environment within which the BusCo ESOP was situated, and consequently the efforts at harmonisation had been flawed from the start. BusCo's macro-environment remained a firmly capitalist economy and culture,

thus retaining the inherently adversarial relations between labour and capital. While conversion to employee ownership and control had removed the division between capital and labour at BusCo and created organisational networks populated by employee-owners, what it could not do was remove these employee owners from their macro-cultural environment and the identity formation forces that it exerted over BusCo's social networks. The creation of a single organisational ESOP and the changes to the ownership of production that it generated were insufficient alone to alter the wider environment, characterised by conventionally owned and organised firms and thus by inherently adversarial relations between capital (and its representatives) and labour. As the identities of BusCo's workers and managers were also formed by this wider environment, the conflicts and identities established through these wider cultural memberships (e.g. the national labour movement) continued to exert an influence over relations within the ESOP.

### **5.3 NurseryCo Collective Identity**

NurseryCo apparently matched the unitarist assumptions held in much of the employee-ownership literatures, from all perspectives, that employee ownership and control would result in employees representing both capital and labour and therefore in the homogenisation of organisational identity and thus in organisational harmony. At NurseryCo, the limited size of the workplace network, the limited differentiation between job roles and responsibilities, the implicit policy of local, female recruitment from within established social

networks, and the relatively homogenous occupational structure of the enterprise permitted a unitarist organisational identity. The rationale for the employee buy-out had been to establish a unitarist collective identity by removing the alternative values and attitudes of the original owners and, furthermore, the policy of the ESOP was to maintain this homogeneity. For this reason, new recruits were carefully selected from members' established social networks, and consequently all staff lived locally, shared similar life situations and expectations and moreover they were all female.

However, while the employee buy-out at NurseryCo had been successful in achieving this unitarism, the ensuing homogeneity of the workforce had not resulted in organisational harmony. In fact, the very success of homogeneity itself had created many of the tensions evident within the network. The collectively held belief among the NurseryCo members, that the removal of heterogeneous elements from the workplace network naturally resulted in organisational harmony, prevented the alternatively derived tensions that arose as a result of network form and pattern from being resolved. Consequently, these tensions were suppressed and indirect but remained a constant factor of network relations between the members. Therefore, the collective ideology of harmony that was the rationale for the NurseryCo ESOP was actually blocking communication within the network. While it permitted harmonious interactions between network members, it also disallowed direct conflictual interactions. This obstacle to communication was not therefore a product of the network's form or pattern but of its collective identity.

Collective identity thus imposes a boundary on the reach of problem-solving for a network. Understandings and meanings attributed to events and information by a network therefore operate by blocking certain possibilities for action. In the case of NurseryCo, this was to block the possibility of overt, direct conflict expression or resolution.

#### **5.4 BusCo Collective Identities**

The unitarist expectations of employee ownership and control were also apparent at BusCo. Management's expectations associated with harmonisation through employee ownership and control principally involved moving employee identities away from class-consciousness and towards individualised corporate identification. In this manner it was assumed that the employee body would become committed to achieving the profit maximisation goals of management. This economic rationale assumed a direct link between single-organisational ownership and control and employee identities, with the ESOP resulting in a unitarist organisation. However, this movement to unitarism was anticipated to be entirely along the lines of management's unaltered collective identity.

However, management's expectations of employee ownership and control were not the only ones contained within the BusCo ESOP. The harmonisation expectations of workers, while not necessarily opposed to management's, were significantly different. Employees' expectations were for improved ease in securing control over terms, conditions and working environments, in other



words, a more social rationale. Yet, while this harmonisation was also expected to result in a unitarist organisation, this was along the lines of an unaltered union/worker collective identity, with management's attitudes altering to accommodate those of the workers.

Therefore at BusCo, both management and union expected harmonisation to occur with employee ownership and control, and both expected this to occur through a movement to organisational identity homogeneity. However, the management and union expectations of routes to harmonisation through employee ownership and control differed significantly.

Furthermore, both management and union expectations of identity alterations were at variance with the assumptions of identity convergence held by the ESOP representatives, the Worker Directors. This ESOP-led rationale, while also resulting in a unitarist organisation, was to be achieved through the creation of an entirely new organisation-wide identity. While the ESOP-led organisational identity also forecast organisational identity homogeneity, this new collective identity would involve changes to both management and union attitudes and beliefs.

At BusCo, as with NurseryCo, the established collective identities operated as boundaries on the reach of problem-solving. The introduction into the negotiations of the alternative ESOP-identity, represented by the Worker Directors, allowed the ESOP to adopt a different identity and therefore a different approach to problem-solving.

## 5.5 Employee Ownership and Control and Organisational Identities

However, analysis of the literature has demonstrated that, apart from the very small firm, organisations do not possess just the one collective identity but many. While NurseryCo, as a small ESOP, demonstrated little variation in employee identities, the evidence from the BusCo ESOP supported this multi-identity thesis. As meanings and understanding attributed to events, information and experiences are contextual, and this context is due to a network's history and socio-economic-political context, an organisation is likely therefore to accommodate a number of networks, each with differing contexts, forms and patterns. Identities are therefore formed via a number of allegiances and a network's collective identity (work identities and behaviours) is therefore embedded in wider social networks and forces – the macro-cultural environment. For example, at BusCo membership of the labour movement proved more important in the creation of a collective identity for many of the CNC members than membership of a single employee-owned and controlled organisation.

Consequently, while an employee-owned and controlled organisation may demonstrate a dominant unitarist organisational identity, such as NurseryCo, not all employee-owned and controlled organisations are necessarily unitarist organisations with one common goal or identity. Therefore the unitarist assumptions of management, worker and ESOP ideologues is fractured by alternative collective identities associated with employee ownership and control. These alternative and multiple identities in employee-owned and controlled organisations are produced both by the networks' collective memories of

traditionally divergent worker-management identities, and also by the alternative influence sources and structures created by employee buy-outs.

The belief that employee ownership and control will result in homogenisation of organisational identities and thus in organisation harmony is therefore misleading and the unitarist, harmonisation goals of management, workers and employee-ownership gurus are essentially false since both case studies demonstrated that employee ownership and control actually created new areas of tension within the organisations.

## **5.6 Identity Divergence**

To allow employee-owned and controlled organisations to function, competing collective identities must be able to communicate and operate together within the organisation. Shared expectations and routines therefore link competing identity networks within organisations. A common framework of understanding must exist to allow them to understand if not to agree with each other. However, the explicit evidence from this research is that differences in collective identities between (or within) networks produce and exacerbate conflicts through misunderstandings of information and communications.

The significantly different expectations of the routes to unitarism and harmonisation at BusCo meant that what the organisation had believed to be a shared expectation of harmonisation was in fact false. A framework of

understanding between the three identities that comprised the BusCo ESOP, management, worker and Worker Director, had not therefore been established. What resulted was a framework of misunderstanding that exacerbated and emphasised the established mistrusts and conflicts between the formal networks. Consequently, far from creating a unitarist organisational identity, employee ownership and control resulted in the reinforcement of separate, divergent network identities through the failure to meet their divergent expectations.

## **5.7 Identity Dissonance**

The conversion to employee ownership and control had therefore involved alterations to the collective identities of the networks observed. At NurseryCo, it had resulted in the consolidation of the employee's identity network with the ousting of the former owner's divergent attitudes and beliefs. With BusCo it had involved the creation of new structures associated with a new ESOP-identity. These conversions and associated identity adjustments had resulted in organisational conflicts. The conflicts observed were a product of identity dissonance within and between the networks, which was occurring as a result of the alterations to collective identities – between the old and the new identity frameworks. The very nature of the changes associated with conversion to employee ownership and control means that these dissonance-associated conflicts are a natural and fundamental aspect of the conversion process.

Identity dissonance in individuals arose when they received divergent role expectations. At NurseryCo this resulted from the dissonant expectations of harmony and the lived experience of conflict. At BusCo, dissonance ran in a number of directions. First, unlike NurseryCo, dissonance existed between the established collective identities of management and union and the new ESOP-led identity. Secondly, dissonance was experienced by the representatives of this new identity, the Worker Directors, who received divergent role expectations from both management and the union to act differently and to hold different identities.

Furthermore, the conversions to employee ownership and control had resulted in newly created overlaps between organisational networks of differing forms, patterns and contexts within the case study ESOPs. Therefore, network members were receiving differing and divergent interpretations of information and events. These differing interpretations created identity dissonance in the ESOP organisation's networks.

Yet, while both ESOPs in this study experienced identity dissonance, the effects of identity dissonance were notably different between the two ESOPs. Since the principal rationale for the NurseryCo ESOP was to protect the single collective identity of the workplace network, identity dissonance between competing collective identities was not a significant generator of conflict. However, the observed tensions between the explicit ideology of harmony and the experience of conflict within the network were evidence of dissonance. The BusCo experience of identity dissonance was somewhat different, given its lack of identity homogeneity. The conflicts experienced in this ESOP were largely those created

by identity dissonance between the established network identities, embodied in the management and union formal networks, and the imposed and influential ESOP-identity, typified and carried by the informal network.

Therefore, membership overlap between established and newly created networks in employee-owned and controlled organisations will result in tensions created by identity dissonance. Where the collective identities of networks which overlap (i.e. share personnel) are not compatible, tensions will therefore arise. In addition, where unitarism has been successfully achieved, the case study evidence demonstrates that dissonance had arisen through the incompatibility of a network ideology of homogeneity and lived experience of differences between members, resulting from different network positions. This is the case, for example, where informally influential individuals are peripheral formal network members, but formal leadership may perceive them as a threat (Worker Directors). The existence of network overlaps highlights the importance of an understanding and discussion of leadership and followership in the comprehension of conflict in employee-owned and controlled organisations.

The evidence presented from the two case study ESOPs suggests therefore that employee ownership and control is inherently conflictual. Consequently, any scheme that assumes otherwise is mistaken and likely to experience unpredicted and unexpected consequences of conversion.

## **6. Network Followership and Leadership**

The nature of employee ownership and control in both BusCo and NurseryCo meant that the employees represented both organisational followership (workers) and leadership (owners), thus differentiating the networks observed from the existing literature on the role and influence of followership. While the existing literature assumed a less symbiotic relationship in conventionally organised and controlled firms, in the ESOPs - due to the dual role of leadership and followership - it was hypothesised that a dynamic relationship would be apparent between the followerships and leaderships in such employee-owned and controlled organisations.

Despite the differences observed between the two case study ESOPs and their networked relations, in both instances the importance of the relationship between the followership and leadership to an understanding of collective identities and organisational conflict was evident. This relationship constituted an integral network dynamic, particularly in the study of harmonisation and conflict generation.

### **6.1 Leadership Influences over Collective Identity**

The evidence from the case studies suggested that the more network influence an individual (or subgroup) possessed, the more influence they had over the interpretation of experiences and information within the network due to their

control of the communication of meanings within the network. Therefore, position relative to others in a network determined how and to what level that individual (or clique) participated in the construction of meaning for the network. Consequently, possession of informal influence, for instance, did not mean that an individual could influence meanings and understandings (i.e. the collective identity) of a formal network in which they occupied a peripheral membership position.

The concentrated interaction networks at BusCo comprised both the informal ESOP network and the management formal network. Meanwhile at NurseryCo the concentrated interaction network was restricted to the formal workplace networks of both day-to-day management and statutory ESOP organisation. Within these centralised groups, the network pattern provided a focus of information and communication on the leadership, which disadvantaged the followerships and thus weakened their influence over collective identity formation and decisions taken within their network's identity and ideology. Consequently, the followerships did not have access to full information needed to make a full and informed diagnosis of the situation, experience or data, or therefore to produce an independent interpretation thereof. Therefore they had to rely on the interpretations of their leaderships. Thus the leadership had disproportionate control over network collective identity. In terms of the concentrated interaction network that was the ESOP-led informal network at BusCo, this meant that influence over collective identity was concentrated in the hands of the Worker Directors. At NurseryCo, both the daily management hierarchy and the formal



ownership structure concentrated network leadership principally in the hands of Gill and Sarah.

These concentrations of leadership within the ESOPs were also partially influenced by the networks' historical context. At BusCo, the Worker Director, Dan, had been an integral part of the original employee buy-out group that had decided upon and established the BusCo ESOP. While he was able to bring to this group his wider contacts within other ESOP organisations throughout the UK<sup>1</sup>, in addition, he had also held the one worker director position under the previous public ownership form of the company and therefore had experience of non-union employee representation both within and outwith BusCo.

However, while at NurseryCo the informal network displayed a dispersed interaction pattern (and therefore influence was more diffuse), there remained a distinctly influential role for the founding members of the group in collective identity formation, through their influential formal and informal network positions. At the time of the employee buy-out, the collective aspiration of the founding members had been the harmonisation of the working environment at NurseryCo. Yet, this ideology and collective identity had been maintained as the network doubled in size, and this was due to the maintenance of the early member's influential network positions. In the formal concentrated interaction network, both Gill and Sarah occupied the two most influential positions as Chief Officer and Deputy Chief Officer, while Dot occupied a minor position as Nursery

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<sup>1</sup> Tullis Russell paper mill, Fife, Scotland  
Tower Colliery, South Wales  
Baxi Partnership, England  
Scott Bader Commonwealth, England

Assistant. However, in the formal ESOP structure of NurseryCo, the three employee-owners occupied the leadership position and controlled the direction of the ESOP. In the organisation's informal network, Gill, Sarah and Dot represented an influential subgroup, with Gill also occupying a leadership position within this dispersed interaction network. The other leadership position was occupied by Fay, who was also involved by the employee-owners in strategic organisational decision-making. The combined leadership influence of the early members allowed the core group of employee-owners to have established the collective identity of the group and also to maintain that identity over time. The desire to retain control over this identity could account for the core group's reluctance to create new employee-ownership positions for the majority of the network followership.

Therefore, the collective identity and the associated image of harmony of the NurseryCo work group was maintained through the maintenance of the concentrated interaction network of the formal ESOP leadership's hold over the collective identity of the group and through the overlap of this influential trio into an important subgroup of the organisational informal network.

Yet, as the leadership experience at NurseryCo demonstrated, relative leadership and followership network influence was not as clear-cut as the Conceptual Framework hypothesised. The significant overlaps between networks of different forms and patterns in both case studies, (i.e. the overlap within the same population of concentrated and dispersed interaction networks and formal and

informal networks), strongly skewed and affected the influences of leadership and followership within particular network structures.

Since the informal ESOP network and the formal CNC network at BusCo shared a significant population, the concentrated leadership positions of the Worker Directors' were carried over into the formal negotiating arena. Therefore, the strong leadership of the Worker Directors was also somewhat transferred into the formal CNC network and over its own collective identity. In this respect, the Worker Directors achieved influence over the collective identity of the CNC and managed to broker a new style of agreement between management and union.

## **6.2 Followership Influences over Collective Identity**

The importance of recognising the role of the followership in identity formation was demonstrated in Chapter Two, where the conceptual framework illustrated the relationship between followership influence and network pattern. It hypothesised that a weaker followership influence would be evident in concentrated interaction networks due to the lack of direct interactions between the leadership and the majority of the followership. However, in dispersed interaction networks, the followership would demonstrate greater autonomy through a greater incidence of direct interactions between the leaderships and the followership, and thus the followership would exhibit more influence over the network's collective identity.

Furthermore, the analysis of the literature suggested that employee-owned and controlled organisations would demonstrate a greater incidence of dispersed interaction networks and, in this respect, that the followerships in the ESOPs would exhibit more autonomy and influence over the leadership. This would therefore mean that conversion to employee ownership and control would provide the followership with a greater opportunity to influence network collective identity. However, the relative influence of the followerships within the different network forms and patterns observed in the two case studies resulted in differing forms and levels of influence over network collective identity formations.

### *Followership and Network Overlaps*

In all of the network overlaps observed, the importance of the followership to collective identity formation and to maintenance of leadership influence was crucial. While the influence of the informal network at NurseryCo had been elevated through the founders' philosophy of harmony, the more autonomous and influential informal followership also had an important role to play in the reformation of this collective identity of harmony. In this respect, it was significant that the newer members had all joined NurseryCo due principally to its reputation of harmony and equality, and were willing to conform to the group's established norms of behaviour. Therefore, the formal leadership continued to represent the aspirations and goals of the influential informal followership, while this followership also provided self-regulation of overt conflict within the group. Consequently, the formal leadership had little occasion or need to engage in overt control of the membership - a network feature which led to the development of covert forms of control within the NurseryCo networks.

A further commonality between the two ESOPs studied was the incidence and experience of network overlaps. The formal and informal networks at BusCo overlapped considerably, thus sharing the same followerships – the informal network of the worker directors encompassing both the formal negotiating networks of management and CNC. However, the outcomes of these overlaps at BusCo were in significant variance to the experience at NurseryCo. The regard and recognition that the Worker Director, Dan's, informal leadership abilities and values were held in by the formal CNC network (a followership that was matched by the informal network) was illustrated when the CNC invited Dan to lead the formal negotiations for them. The willingness of the formal union network to recognise Dan's informal influence was indicative of the common followership's belief in Dan's ability to secure the followership's goals and ideals.

The fact that the followership was in some respect manipulated by the Worker Directors at BusCo also indicates the importance that was attached to the support of the followership for the leaderships. The importance attached by Dan to the use of language in interactions with the common informal and formal union followership was indicative of the influence that the followership wielded over the direction of their collective identity. The Worker Directors emphasised the integral role of the followership with their leadership, and thus ensured that the followership felt in control and unthreatened by the imposition of their informal leadership. Dan frequently used neutral and unthreatening word formations, such as "I'm only trying to help" and "it's ideas already floated round the table" to underplay his informal influence over the common followership in the formal sphere. These rituals of interaction distanced him from overt conflict with the

formal leaderships and thus maintained his informal influence over their common followership. Consequently, with the consent of the union group, he was able to adopt a temporary concentrated leadership of the CNC followership network during the latter stages of the negotiations. In this respect his informal, concentrated leadership influence was transposed onto the formal, dispersed interaction network of the CNC through their commonality of followership members. This allowed the Worker Director to override the formal influence of the CNC leaderships and adopt an overt leadership of the negotiations. This transposition of informal concentrated leadership onto the CNC network was prompted by the critical situation of the negotiations, where the formal groups alone were unable to progress the negotiations. In this respect, the formal leaderships alone were unable to advance or to meet the goals and aspirations of their followerships. The informal leadership of Dan was adopted by the CNC network in the belief that he was the only leader who could achieve the followership's aims and ideals. The followership had no formal or contractual compulsion to support Dan's leadership, but did so as he was seen as the only leader within the organisation who was capable of realising the goals and aspirations of the union group. In support of this followership view, the Worker Directors' alternative proposal was presented as the manifestation of the ideas already held within the CNC group, but which the established negotiating tactics of the CNC had been unable to unleash. However, the influence of the followership was not consistently hidden. On the occasions when it appeared to the CNC that the Worker Directors were unable to deliver on their promises of achieving the union's goals<sup>2</sup> within the negotiations, the leadership influence of

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<sup>2</sup> i.e., when the Worker Directors appeared unable to persuade management to alter their collective identity and to accept the Worker Directors' alternative proposal.

the Worker Directors within the formal sphere was abruptly, yet temporarily, terminated.

The manner in which the Worker Directors' alternative proposal was presented to the formal networks provided the Worker Directors with the appearance and the elements of empathy with both formal followerships, since the new proposal was designed to allow both groups to achieve their goals and aspirations. Management was able to cut costs, while the CNC was able to consolidate its union influence within the organisation. However, the subsequent rejection by the shopfloor union membership of the Worker Director brokered agreement demonstrated how the influence of such a centralised leadership within a concentrated interaction network could be used to achieve goals that were not necessarily in line with the followership's identity or goals. In this instance, the collective identity alterations within the CNC had been prompted by the concentrated influence of the informal network and the overlapping memberships of both formal CNC and informal ESOP networks. However, the overlap between the memberships of the Worker Directors' informal network and the union formal network, i.e. the same population of workers, meant that the greater autonomy of the followership within the CNC's dispersed interaction network could overturn the imposed agreement.

### **6.3 Conflict and Network Overlaps**

Network overlaps not only skewed the relative influence of followership and leadership within the single networks observed, but also created areas of conflict

within and between networks through the dissonance in both influence distribution and collective identity within populations. In this respect, leadership clashes were apparent due to overlaps between networks with different influence structures and collective identities, yet which shared a common followership.

### *Formal/Formal Network Overlap*

While at BusCo the overlaps created by and through the ESOP between the two formal networks of management and workers created conflict due to the transfer of traditional management control, at NurseryCo the overlap between the formal management structure and the formal ESOP-ownership structure did not result in tensions. At NurseryCo, while a considerable amount of traditional management control and authority had been transferred with the conversion into an employee-owned and controlled organisation, this transfer had been both to the new employee-managers and to the new employee-owners – and both comprised the same individuals. Having removed the established holders of management authority and control at NurseryCo - the previous owners -, the conversion into an ESOP also prevented the introduction of new owners who did not belong to the employee group. Consequently, the ESOP maintained a level of homogeneity within the workplace network.

However, the introduction of formal employee networks into organisational governance at BusCo had significantly different outcomes. In this instance, the established management authority group had not been removed with the conversion, and so this group was now in a position of sharing control with their former adversaries, the union network. However, while new conflicts had not



resulted within the newly combined organisational governance group itself<sup>3</sup>, the creation of an organisational governance team comprised of both management and worker representatives had in effect moved conflicts down a tier within the organisation. The principal seat of discontent within the organisation was now situated on the shopfloor and with middle management. This tension was expressed in two ways, first as established tensions between workers and their management, i.e. that employee ownership and control had not changed the work experience for the shopfloor worker or for their immediate management. Secondly, employee ownership and control had created new tensions. These existed between the average worker and their union representatives, as the workers felt that the ESOP experience lived by their ESOP and union representatives was dissimilar to their own work experiences. They also arose between middle management and both the union representatives and the worker directors, directly as a result of management's loss of traditional influence to these employee representatives. This relocation of tensions within the organisation created a future problem for the BusCo ESOP leaderships, in that the majority of the workforce, both shop floor workers and middle management, did not associate their working realities and experience, and therefore their collective identities, with the ESOP. In this respect, the management and employee representatives were increasingly representing the identity of the ESOP and not of their larger followerships. This dissonance between followership and leaderships was storing up tensions for the future, assisted by the workers' growing apathy about communicating with their representatives over their goals and aspirations, tensions which would have to be resolved through a wider process of identity consolidation within BusCo's networks. This wider dissonance impacted on the final

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<sup>3</sup> Although this group had maintained some established management/union conflicts.

negotiations as the City Branch reacted to the identity shift within the CNC and realigned itself with the collective identity of the wider BusCo union membership – who supported the City Branch’s rejection of the final agreement between the CNC and management. Other management, not involved in the identity conversion process of the negotiations, also felt that the management negotiating team had moved too far from management’s established collective identity.

### *Formal/Informal Network Overlap*

Conflict was also created where networks with differing forms shared the same population, such as the overlap of members at BusCo between the Worker Directors’ informal network and the formal network of the CNC. With conversion to employee ownership and control, authority had been redistributed and relocated into new (ESOP) structures. The tensions this created were clearly seen at BusCo, where the Worker Director, Dan, leader of the informal network, was criticised for “overstepping the mark” by both senior management and the union formal network.

The network overlap between the informal network of the Worker Directors and the formal network of the CNC thus created the anxiety over identity convergence within the union group due to the strongly influential informal leadership of the worker directors and the strong overlaps of population between the two networks. However, this conflict was not simply the product of differing network forms, but of the overlap between networks with differing patterns and influence distribution mechanisms.

### *Concentrated/Dispersed Interaction Network Overlap*

The overlap between concentrated and dispersed interaction networks within the union membership at BusCo created conflict between leaders from the differing networks. While the common followership belonging to both the dispersed interaction network of the CNC and the concentrated interaction network of the Worker Directors had encouraged the Worker Directors to assume a concentrated leadership of the CNC network during the latter part of the negotiations, this was not without its inherent tensions. Principally, tensions were evident between the leadership of the City Branch and the assumed leadership of the Worker Directors within the negotiations. Apart from direct confrontation during CNC meetings, the City Branch leadership also indirectly opposed the leadership of the Worker Directors over the CNC by diverging from the CNC's agreed negotiations approach in their formal negotiations with management – where they knew that the Worker Directors had less authority to intervene.<sup>4</sup>

This overlap at BusCo also created conflict over leadership succession. As the influence of the City Branch within the CNC dispersed interaction network was not sufficient to influence the collective identity of the union group, the City Branch aimed at leadership of the Worker Directors' informal yet concentrated interaction network. A leadership representative in this informal network would provide them with a higher degree of influence over the common followership and with more leadership autonomy to achieve their goals within and for the CNC. To secure this informal influence, the City Branch used the insecurity of informal

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<sup>4</sup> During official meetings with management, Wilf adopted a new specification for progression to the senior rate of pay – one that had been rejected as a negotiating stance by the CNC under the leadership of the Worker Directors.

leadership tenure against the Worker Director, Chris. Since, in an informal network, influence depends on the personal not contractual relationships between the leader and their followerships, if the leader disappoints or falls out with any of these relationships then leadership status may be lost since that line of communication has been damaged or removed and because the leader no longer has the trust of the followership to meet their goals and aspirations. What occurred at BusCo was the scapegoating of Chris – where the City Branch represented him as failing to work towards achieve the goals of the union followership (but of expressing the aims and ideology of management instead). In this way, Chris lost the support of his informal followership, their empathy and their readiness to believe in his methods and ideology within the negotiations sphere. The support of the followership was then transferred to the City Branch's candidate, Wilf.

### *Identity Dissonance*

Identity dissonance occurred within the networks at BusCo since the different network leaderships represented different followership identities, yet the followerships overlapped. The Worker Directors for example represented the 'ethos of the ESOP', the culture and identity of individual employee share-owners at BusCo, while the CNC network – with a followership that overlapped with the Worker Directors' informal network – represented an ideology of BusCo employees as workers with collective needs. Such dissonance between the collective identities of the overlapping followerships resulted in tensions which had to be resolved through a process of identity stabilisation. The replacement of Chris with Wilf thus also indicated a move by the common formal and informal

network followerships (i.e. the union members) to reduce the individualist influence over employee identity and to increase the representation of collectivist employee concerns and interests. In this respect, the followerships embodied the central values of the networks to which they belonged and thus played a crucial role in the identity formation of both the formal, dispersed CNC network and of the informal yet concentrated interaction network of the Worker Directors.

## **6.4 Conclusion**

The evidence from these two case studies fails to support the relationship contained within the social network analysis literature between multiplex networks and a reduction in conflict. Consequently, the assumption that a high level of interaction in different contexts, i.e. in overlapping networks, promotes harmony is not supported. In the organisations studied, the conversion to employee ownership and control had resulted in the overlapping of discrete influence structures and this membership of overlapping networks frequently resulted in tensions and conflicts within the ESOPs. Therefore, far from easing communication, producing robust networks able to withstand internal conflict, or promoting conformity or common values (and thus decreasing the incidence of conflict), overlapping networks within the ESOPs actually created new areas of organisational conflict.

The case studies demonstrated that interactions between network members were the principal means by which meanings and understandings of information and

events were constructed and communicated. However, different network communication patterns and forms also influenced the form of these networked interactions. Therefore, network form and pattern were significant factors in how members interpreted experiences and information and therefore in how networks constructed realities and collective identities. Consequently, the role of the leadership and followership in the creation and maintenance of network identity were significantly different in networks of differing form and pattern.

Furthermore, leadership and followership within the ESOPs, both formal and informal, were therefore highly reciprocal. At BusCo, reciprocity in the formal union group was maintained by its dispersed interaction pattern, where the autonomy and influence of the followership was high. In the Worker Directors' informal network, reciprocity was established through the importance of the maintenance of personal relationships between the leadership and the followership. At NurseryCo, the close overlap between the formal and informal networks meant that leadership and maintenance of the collective identity was also highly reciprocal. Consequently, while the leaderships relied on the support of their followerships, the followerships were empowered by the successes that the leaders achieved on their behalf. Control within the ESOPs was therefore a reciprocal arrangement and a network process. Leadership, followership, collective identities and conflict were all therefore interlinked through network dynamics, and can therefore be conceptualised as network phenomena.

## **7. Conclusions**

### **7.1 Contested and Disproved Assumptions**

The comparative analysis and discussions presented in this chapter permit a number of the assumptions presented by the literatures to be contested. Principally, the analysis highlights the limitations of the causal and directional assumption, contained in much of the literature on employee participation, that employee ownership and control will engender harmonious working relationships. The evidence from the case studies suggests that, while harmony may be apparent in these organisations, this is either a transient situation or a surface construct. The data presented has demonstrated that apart from the organisations' claims for harmony, direct evidence from and observation of organisational members suggests the opposite. Established conflicts both continue to exist with conversions to employee ownership and control, and new conflicts and tensions are generated by the very structures and processes associated with employee buy-outs. Therefore, in direct contradiction of much of the established literature, the evidence presented in this thesis suggests that there is no causal link between employee ownership and control and organisational harmony. Whatever employee attitudinal or behavioural changes might be observed, these are not associated with employee identity changes and therefore the causal assumption that employee participation achieves harmonisation through employee attitude and identity changes is also cast into serious doubt.

While the case study evidence does indicate that employee ownership and control can in some situations generate employee attitude and identity changes, these are not necessarily in favour of management goals and identities and therefore it cannot be concluded that employee ownership and control only achieves 'positive' attitude and behavioural changes among employees. In fact, the BusCo evidence suggests that employee ownership and control, while successful in altering identities within the CNC network, only served to entrench established and adversarial divergent identities. Therefore the identity alteration was a movement away from management's goals and ideologies.

The literature also suggests that employee ownership and control achieves employee attitudinal changes without changing management attitudes, goals and identities. The evidence from BusCo further suggests that, without commensurate alterations in management identities, employee attitude change towards harmonisation with management is unlikely. Where employee behavioural change is observed (such as the CNC's alteration of collective bargaining behaviours during the initial ESOP period), commensurate employee identity and attitudinal changes will not be forthcoming unless management also demonstrates a willingness and ability to jettison their established ideologies and behaviours.

Therefore, given the evidence first from the BusCo CNC's altered collective bargaining behaviours without any alteration in their attitudes towards management or in their collective identity as unionists, and secondly from NurseryCo, where the overt demonstration of harmony was underlain by evidence of constant conflict and tensions within the group (and therefore of the continued,



yet changed, existence of tensions within their working environment), the assumption that employee attitudinal changes are directly associated with employee behavioural changes is disproved in these two cases. Likewise, the opposite assumption, that employee behavioural change is a result of employee attitudinal change is also disproved.

The evidence also contests the assumption that employee-owned and controlled organisations necessarily demonstrate a unitarist mono-culture, directed by a managing or leadership elite. The BusCo ESOP for instance possessed a number of organisational subcultures. While the established management and union cultures remained unaffected by conversion to employee ownership and control, yet that very conversion had also created a new culture – that of the ethos of the ESOP, the individualisation of employees as shareholders. NurseryCo presented, on the surface, a more expected outcome of the homogenisation of identities and ESOP membership. However, the conversion to employee ownership and control had increased the influence of the dispersed interaction and informal workplace network, and in this respect it cannot be said that the culture or identity of the group was entirely directed by its managing elite, but also by its followership.

Finally, the evidence from the case studies suggests that, contrary to the expectations expressed in the literature for employee ownership and control, work identities and behaviours cannot be formed solely within the environment of the firm.

## **7.2 Accepted Hypotheses**

The case study evidence suggests that in the smaller ESOP studied, the assumptions and predictions made by the literature appear more accurate. The NurseryCo ESOP demonstrated a unitarist and homogenous series of workplace networks with an overt semblance of organisational harmony. In addition, alternative sources of influence, i.e. its informal network, wielded considerable organisational influence. This informal network was also a dispersed interaction network and therefore the association of alternatively derived sources of influence in employee-owned and controlled organisations is supported by the NurseryCo evidence.

However, to rely on this evidence alone would be misleading. The rationale for undertaking two case studies with different network patterns and forms was to ascertain whether there were any generalisable influences of employee ownership and control across differing conditions and environments. The BusCo case study did not support the homogenisation, unitarist thesis, and also demonstrated overt conflict. While its informal workplace network had also risen to considerable organisational influence as a result of the conversion to employee ownership and control, this network was a concentrated interaction network and therefore did not establish a more equitable distribution of influence within the ESOP.

There were however, a number of generalisable effects of employee ownership and control. Neither case studies demonstrated organisational harmonisation as a result of their employee buy-outs. Conflict continued to be an inherent aspect of

the two ESOPs, and this conflict was also frequently directly associated with employee ownership and control. Conflict can therefore be seen as a direct product of employee ownership and control, since the identity and network alterations observed in the case studies were only achieved through conflict (between old identity and new, between old structure of control and new etc.). Furthermore, the incidence of network patterns and forms and principally the incidence and extent of overlap between differing networks with common followerships has been found to influence the type of conflict found in employee-owned and controlled organisations. It is possible to conclude on this evidence that conflict is therefore a network property and that network processes are the essence of and also generate conflict.

Therefore conflict is constant within networks, either covertly or overtly. This conclusion is adequately demonstrated by both the ESOPs studied, which exhibited continued and new areas of networked conflict, both unaffected by the ESOP, and also tensions produced as direct outcomes of the conversion process.

The influential role of the informal workplace network in both ESOPs supported the assumption that socially derived sources of influence would become increasingly important and influential in employee-owned and controlled organisations. Yet, the homogenisation of these organisations was not generalisable, with BusCo remaining a collection of competing identity networks - through the very process of employee ownership and control and the network overlaps it generated.

However, in both case studies, the existence of a dynamic relationship between followership and leadership was supported. The followership and leadership of networks were found to be part of the same influence process in employee-owned and controlled firms - where employee-owners were both followers and leaders. In this respect, followership and leadership were observed to be parts of the same force or entity, the social network, and therefore, power and resistance are part of the same network process of influence distribution. However, the means and outcomes of operation of this networked influence process differed between network forms and patterns. As predicted, in the dispersed interaction networks observed, followership control over network identity and actions was significant. In contrast, in the concentrated interaction networks in the ESOPs, it was the leadership who maintained significant control over network identity and actions not the followership. Yet, where leadership control was apparent, this could take different forms depending on the form of the network. While formal leadership was dependent on the occupation of an influential network position based on contractual relations with other network members, informal leadership was dependent on the maintenance of interpersonal relations.

From the case study evidence it is also possible to conclude that it is through network processes that collective identity is formed, yet these processes are not restricted to relations within the confines of the employee-owned and controlled organisation. The social network is therefore a significant source of identity expression for its members and for the achievement of their collective aspirations.

However, it was clear from both ESOPs that significant overlaps between networks of differing forms and patterns had been the result of the organisations' conversion to employee ownership and control. While these conversions had increased the influence of the informal networks, these networks now overlapped with the formal organisational networks, blurring the boundaries of leadership and followership influence in the ESOPs. Whereas in BusCo, this overlap increased the followership influence within the ESOP, at NurseryCo, while followership influence was detectable, it was largely harnessed to the ends of the founders' collective identity aspirations.

The thesis thus demonstrates that, far from the harmonisation hypothesis presented in much of the literature, conflict can be found even within high-level employee-owned and controlled organisations. This conflict is a product of other social factors - such as external social networks, internal network forms and patterns, and internal/external economic influences - which intrude on the relationship between, on the one hand, employee ownership and control and, on the other, employee identity and attitudinal changes .

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## Appendix

### Density

Density is measured using the formula:  $D = \frac{200 a}{n(n-1)}$ , where  $a$  refers to the number of links recorded between network members, and  $n$  refers to the number of network members (Mitchell,1969:18). The density ratio obtained from this calculation is a measure of the total number of links that do exist out of the total number that could exist, and is therefore a measure of the possibility of communication within a social network.

### Degree

Degree is a measure of the “average number of relations each person has with others in the same network” (Boissevain,1974:40), and is calculated by the formula:  $d = \frac{2Na}{n}$ , where  $n$  refers to the total number of network members and  $Na$  refers to the total actual number of relations.

### Centrality

This is “an index of the degree to which a person is accessible to the persons in a network” (Boissevain,1974:41), and is calculated using the equation:

$$C = \frac{\text{sum of the shortest distances from every member to every other member}}{\text{sum of the shortest distances from Ego to every other member}}$$



Central network positions are associated with power and influence, due to their access to information. Centrality has also been called 'closeness' and 'betweenness' (Wassermann and Galaskiewicz, 1994).

### **Reachability**

Reachability measures the ease of communication within a network.

### **Intensity**

Intensity of transactional content is a measure comprised of three components: frequency; content; and duration of the interaction. These can be used to measure the value an individual vests in the relationship.

### **Multiplexity**

This is a measure of the diversity of linkages in a network, where each individual is "sometimes in touch with the same people in different capacities" (Boissevain, 1974:29). A measure of multiplexity can be gained by dividing the number of multiplex relationships in a network by the total number of all relevant relationships. If the score is high it indicates that the members know each other in many different contexts. Multiplex networks are assumed by the literature to be more robust and able to withstand conflict than single-stranded relationships (Boissevain, 1974:30).

### **Direction**

Direction measures the reciprocity of relationships.