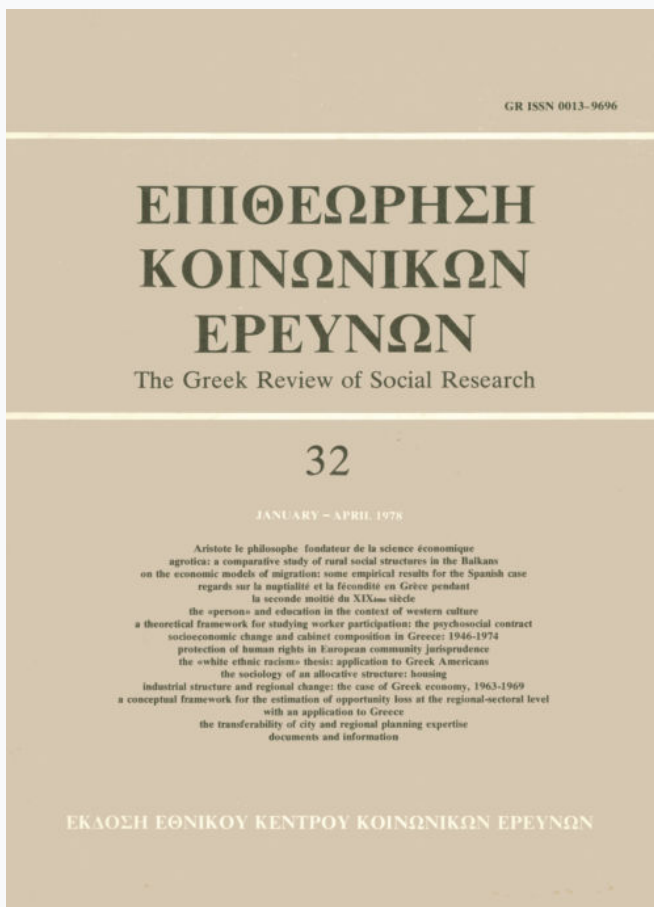


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### A theoretical framework for studying worker participation: The psychosocial contract

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# a theoretical framework for studying worker participation: the psychosocial contract

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## introduction

The implications of economic and business behavior for society have been the subject of continuous investigation and study since industrial organizations started growing in size and influence in Western society. Social scientists and managerial experts have searched for a rationale to support business behavior and for a justification of the very existence and role of industrial organizations in modern society. Classical micro-economic theory viewed the firm within its narrow confines as a system operating under a specific control system. Profit-maximization was the legitimate objective of business behavior dating back to the days when the entrepreneur and the firm were synonymous. But as markets expanded and large scale production was introduced, imperfections of the market price mechanism made social scientists and administrators realize various mutual interdependencies and the need for consciously influencing markets in order to eliminate risk and uncertainty.

The corporate form of business organization and the group decision-making raised serious questions concerning the relationship between the objectives of the individual, the firm and society (Zannetos, 1963). Such questions as motivation of individuals, conflict among groups, coordination, relationship to the owners, have seriously preoccupied the students of organization. Several theories developed by sociologists, psychologists and administrators, which attempted to deal with shortcomings of the rational economic model, have gradually come to question the profit-motive as the only criterion of efficiency, while other social considerations and parameters have gained ground as criteria of organizational effectiveness.

The notion of worker participation in decision-making in Western industrial settings should be viewed within the framework of a new set of rising expectations and a growing social consciousness among business managers, administrators, labor leaders, and scientists, of the human interdependence that is involved in economic behavior. Industrial organizations are best viewed as social systems functioning in the context of the larger society of which they are part, and interacting with a vast complex of individuals, institutions and other social units. The business corporation should be conceived as a social entity as well as an economic entity, its social and economic aspects being interconnected and dialectically involved (Bruyn, 1972).

Theory, research and much experimentation try to bridge the gap between individual goals, organizational goals and societal goals, or between individuals, industrial organization and society, hoping thereby to solve many of the human problems of modern society. The focus of study shifted gradually

from the individual as a physical unit in an economic context, to a broader view of the individual as an interdependent part of a corporate system, and to a wider social framework for interpreting corporate behavior at the macrosystem of the economy (Bruyn, 1977). In the last 150 years the corporation changed from being considered as mainly a legal-economic entity to being conceived increasingly as a social entity, with a social significance as a system at the national and international level. New models are developing which incorporate social consciousness at the national level, beyond the old corporate models based on hierarchy and competition which are no longer workable.

It is within the above conceptual framework and a new pragmatism that worker participation can be conceptualized in Western societies. We propose in this paper a new theoretical construct, i.e. the *psychosocial contract* (Nicolaou-Smokovitis, 1976) which could provide conceptual tools for understanding the functional necessity of worker participation, and a rationale for greater democratization of enterprises in Western societies. Contractual theory in the past was related to a revolutionary change of society, social forms and ideologies. At present, a new form of contract can be related to a new pragmatism and the emergence of a new social creed that is justified by such movements toward «corporate responsibility» and «social auditing», which are now taking place in Western societies. It becomes increasingly felt that it is necessary to create a theoretical framework which could support such movements and provide a rationale for introducing greater democratization in Western enterprises; we believe that the psychosocial contract can provide such theoretical framework. Such a concept, developed out of a recent Greek study (Nicolaou-Smokovitis, 1977), can have international meaning and applications, in that it helps explain some complex structural relationships and patterns of organizational behavior in any society.

The theory of worker participation and self-management has been pervaded by much discussion and controversy in regard to the political, economic and socio-cultural framework which could explain and support various forms and degrees of participation in decision-making (Blumberg, 1968; Vanek, 1971). The psychosocial contract could potentially help overcome controversy and define some complex interdependencies and interrelationships which exist in the real world of any society.

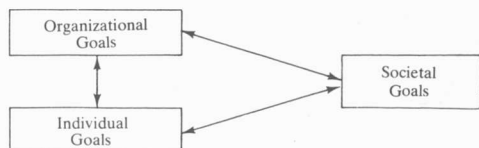
### I. theoretical framework: a synthesis

The notion of a psychosocial contract is based on the assumption that business behavior is justifiable

when it serves not simply itself, but the goals of individuals and of society as well. It also is based on the fact that a new set of beliefs is emerging and a new social structure is developing in the economic order of modern society. A new ideology is forming in the context of both the capitalist society (Lodge, 1975) and the socialist society (Gouldner, 1976).

In recent years, contingency theorists pointed to the socio-cultural environment as an important dimension in organizational analysis (Davis, 1971, p. 4). Cultural differences should constitute a problematic area for any student of organization, and a major consideration should be given to the prevailing system of values and attitudes and their relationship to the institutional setting of a given society. Values and attitudes underlie the definition of individual, organizational and societal goals, and regulate rational economic behavior.

Speaking of industrial organization as a context within which worker participation takes place, we automatically refer to three analytic systemic levels: the organization, the individual, and society. In studying worker participation, it is important to keep in mind the existing loop between the above systemic levels with feedback effects, recursiveness and linearity, which can be explored statistically in specific relationships. The complex pattern of interactions and mutual exchanges between the organization, the individual, and the society, is the theoretical field of an implied 3-dimensional psychosocial contract. Such a contract involves a whole spectrum of rights, privileges, expectations and obligations between the organization, the individual and society, which even though they are not officially written in a formal agreement, they nevertheless operate powerfully as determinants of economic behavior. Organization, individual and society must be viewed as a cycle of three interpenetrating and overlapping systems, one being an input to the other. Any form of corporate management (organizational goals), is significantly influenced by the type of society (societal goals) as well as the prevailing personality structure of individuals in that society (individual goals). Reciprocal relationships between organizational goals, societal goals and individual goals can be best exemplified in the following conceptual scheme:



The proposed form of contract in this paper is a combination of the psychological and the social contracts. The rights, obligations, and duties evolving in existing economic enterprise today we call the psychosocial contract. It is best understood in the light of systems theory which supports «co-determinants» and «interdependencies» among the various social systems.

### 1. The Psychological Contract

The «psychological contract» has been one of the most discussed themes in organization theory of the sixties and the seventies in studies of American business or in the capitalist tradition (Schein, 1965; Kolb, Rubin and McIntyre, 1974; Huse and Bowditch, 1973) and has been almost exclusively the domain of organizational psychologists. The concept suggests an implied agreement between an organization and its individual members which defines a variety of mutual expectations in regard to a whole pattern of rights, privileges and obligations, within and beyond the strict area of work. Such expectations do not appear in a written formal agreement, but they nevertheless operate powerfully as determinants of behavior.

The assertion of a psychological contract derived from studies conducted by Argyris (1960) and Levinson et al. (1962), and is connected to the inducement-contribution model developed by March and Simon (1958, p. 93). The concept relates also to Etzioni's typology for classifying types of organizations based on two variables: the type of authority or power used by the organization and the type of involvement of the organization member (Etzioni, 1961). Schein, building on the above theories, explicitly treats the psychological contract as a psychological concept, involving a pattern of *authority* (on the part of the organization) and *influence* (on the part of the individual) which depends largely on the basis of *consent* as to the legitimacy of authority which can vary from one organization to the other and from one society to the other. Max Weber (1947) had referred to three major bases of legitimacy of authority, i.e. tradition, rational-legal organization, and charisma.

From a systems point of view, the individual receives external and internal influences which affect the quality and the quantity of his or her work output. Within the larger system, i.e. the organization, the individual constitutes a subsystem in constant interaction with other subsystems and with the larger system. Also, in the light of theories of motivation, individuals work to satisfy certain inner needs. When they enter the organization, they expect to find the necessary climate which will permit them to satisfy their needs. If the larger system, that is the organiza-

tion, does not provide the opportunities for the individuals to meet their needs, the individual is apt to subordinate the goals of the organization to the satisfaction of his or her own needs. Thus, the individual interacts with the organization in a two-way process of exchange which may be either beneficial for both parties, or a dissatisfying and frustrating experience for one of the two parties (Huse and Bowditch, 1973, pp. 73-4). Interaction is an exchange involving a mutual obligation and interdependence.

The psychological contract, within the above framework, designates mutual exchange and obligation between the individual and the organization where interdependence serves as a mediating factor for solving conflict between the goals of the employee (subsystem) and those of the organization (larger system). According to Etzioni's typology (Etzioni, 1964 as quoted in Huse & Bowditch, 1973, p. 76, Fig. 3.1), industry is characterized by a utilitarian type of organization, since it exercises mainly rational/ legal authority and uses economic rewards in exchange for work and membership of individuals. Yet, if the «social» element is involved, the industrial organization combines normative considerations and utilitarian ones, and therefore the type of involvement expected from the organization member is moral as well as calculative. The members of a mixed type of organization, perform their function with a certain moral involvement, attribute moral value to their tasks, and expect rewards with intrinsic value. According to Schein and Etzioni, the kind of involvement of the organization member is consonant with the kind of authority used by the organization and the kind of rewards provided. If an industrial organization is based on classical management assumptions, using a rational/legal type of authority and emphasizing economic rewards, it should expect a calculative type of involvement from its members. If it expects its members to be morally involved, to get satisfaction out of their task and to be «loyal», the type of psychological contract should be changed from a coercive/ utilitarian one to a utilitarian/ normative one. The organization members will be more committed to the organization's goals, will value their work, will get more involved and will grow as employees and individuals. This will depend on the attitudes and the philosophy of management and whether it will be willing to change the nature of the psychological contract.

If we accept the premise that human behavior in organizations is a process of social exchange (Homans, 1950) by which the employees attempt to meet their personal inner needs and goals, and if we think in terms of a psychological contract which defines the type of exchange between the individual and the organization for the attainment of mutual goals,

we can get a good insight into the dynamics of the individual-organization relationship. Yet much depends on the ability of the management to introduce the proper psychological contract, by understanding the individuals within the organization, defining their needs and goals, initiating the socialization process which will permit areas of freedom and creative individual expression, and providing the appropriate incentives. Schein assumes that maximum integration is achieved by the organization if the necessary conditions are created to facilitate a balance between organizational goals and individual needs (Schein, 1965, p. 103). The psychological contract seems to be a reality with implications for individual satisfaction and productivity.

We believe that the concept of a psychological contract has a dynamic quality and importance as well as great potential usefulness for sociological analysis and further consideration. Support for its importance comes from a number of sources, mainly findings in behavioral research, and a growing body of research demonstrates its importance (Rosenthal, 1966; Berlew and Hall, 1966; Schein, 1974; Rudin, Kolb, Farris and McIntyre, 1969). Although the views of the notion of a workable and «just» psychological contract deal exclusively with the psychological dynamics involved in the organization-individual interactive process, scholars who dealt with it have recognized the element of social interaction and the existence of a variety of sociological factors affecting this interactive process such as group structure and tasks, organizational goals, and environmental background affecting membership.

## 2. The Social Contract: New Reference to an Old Concept

The idea of a «social contract» as the basis of rights and duties in the state could be traced back, although in an unprecise form, in Plato and Epicurus, in Cicero and the *lex regia* of the Roman law (Laski, 1934, p.127). As a systematic and coherent notion, the social contract is related to the Reformation and the Counter-Reformation, intending to serve certain purposes and becoming the weapon of religious and political doctrines (Laski, 1934). A contractual theory had a pragmatic character as it was set by some historical activities which it was intended to justify.

History abounds in contracts. In the 17th century, the notion of a contract referred to the idea that people as a body are entitled to certain rights and that power is a trust. When the ruling authority broke the trust, its title to allegiance disappeared. The term «social contract» has been applied by students of

politics to the political theories of some of the most influential thinkers of the 17th and 18th centuries: Thomas Hobbes (1586 - 1679), John Locke (1632 - 1704) and Jean-Jacques Rousseau (1712 - 1778). The three scholars, called the «contractarians», represent a school or a movement. They supported the idea that society originated in a contract or agreement, explicit or tacit, to which each individual consented, removing himself from the «state of nature», to support a government under laws, of impartially administered justice, and of civic morality (Kendall, 1968, p. 376). According to Locke, people contract to form a civil society; the form it assumes is an «*obligation mutually undertaken* to secure the definite object of preserving life, liberty and property» (Laski, 1934, p. 129). The notion of a social contract exercised much influence in the 17th century England during the civil war as a fundamental doctrinal instrument of the rebels, in the American colonies as a basis of many of the constitutions and the development of early American political theory (an idea effectively put forward by Thomas Hooker and Jefferson), in France as the ideological basis of the French revolution (the notion of the «common will» expounded by Rousseau), and in German ideology of the state (by Kant and his disciples).

Although, as a doctrine, the social contract faded away in later history, it fulfilled the important purpose of directing attention to the importance of *consent* in any system of political philosophy (Laski, 1934, pp. 130-1). «Its real value lay in the means it provided between 1572 and 1690 for the emergence of a political creed which justified the constitutional liberalism then slowly emerging.» The sociological concept of solidarity which was fashionable in France at the beginning of our century had also a contractual basis.

The contract theorists tried to support that:

(a) The «state of society» is characterized by a «contract» i.e. a transaction that rational people choose as a means for exercising their right of self-preservation.

(b) The participants in the contract have the obligation to keep the «promise» they have made; and

(c) Those born and reared in society after the negotiation of the contract, must be understood as having «consented» to the contract's terms.

Some of the ideas derived from the School have influenced deeply political thought and political events:

(a) The notion that no society, government, law or rule of «morality» is legitimate unless it rests on the consent of the individuals concerned.

(b) That societies, governments, laws and notions of right and wrong or just and unjust are to be judged

by the recognition and protection they provide to the «inalienable» individual rights.

(c) That one of these rights is the right to live under a democratic government, that is, government subject to popular control (control of the majority).

(d) All people are born equal and one major purpose of government should be to promote equality (Kendall, 1968, p. 377).

The three contract theorists are identified with a political event or movement (Hobbes with modern authoritarianism, Locke with constitutional democracy, and Rousseau with the French Revolution and «absolute» majority rule). Yet, each one's definitive work dealing with the *contract* (Hobbes: *Leviathan*; Locke: *The Second Treatise of Civil Government*; and Rousseau: *The Social Contract*) focuses on two basic areas:

(a) *Individual rights*: For all the three thinkers, the individual's right of self-preservation and choosing the means for it, authorizes the individual to enter into the agreement to form a political society and legitimizes the *contract*.

(b) *The problem of consent*: All three writers supported the idea that people can be «bound» only by their own consent. Rousseau sought to legitimize the laws of his society by the continuing consents that the citizens give individually (i) by stipulating in the contract that each citizen coming of age, shall be required to opt for consenting to the existing institutions or for withdrawing from the society, and (ii) by requiring that no citizen be formally excluded from the deliberations and votes that produce expressions of the «general will». Thus, Rousseau brought us very close to two major themes of contemporary theory: the emphasis on *political equality*, and the stress on *active participation by the citizens* in the political process as an indispensable condition for «government by consent» (Kendall, 1968, pp. 380-1).

### 3. Theoretical Implications: The Psychosocial Contract

We feel that the views expressed on the psychological contract although recognizing the social element involved and the systemic nature of the organization-individual relationship, tend to promote the idea of a closed system and an emphasis upon intraorganizational dynamics. Society, of which the organization is a part, and the various constituencies to which the organization is accountable, do not appear in the picture. Although scholars dealing with the psychological contract refer to the environment, they do not treat explicitly the inputs to the organization and the close ties which *relate the organization to its social context*. Yet the very idea and the nature of a con-

tract, whether it be legally stated or psychologically implied, the types of organizational and individual need-structures and systemic goals, the nature of interaction and the set of mutual expectations and obligations are defined by society within which they take place.

We think that the psychological contract would take a new breadth, depth and meaning if it could be extended so as to include society as well in the interactive process. Therefore, while accepting the importance and usefulness of a «just» and «workable» psychological contract to meet the mutual needs, goals and expectations of the individual and the organization, considered as distinct analytic systems, we should extend the concept so as to include the larger system, taking account of the needs, goals and expectations of society as well.

The idea of a social contract is slowly reappearing in organization literature to refer to the relationship between business and society. As business functions by public consent, its main purpose is understood to serve the needs of society (C.E.D. 1971, p.11; Gray, 1971; Steiner, 1973; Coppock and Dierkes, 1974). In this process the social contract of the seventeenth and eighteenth centuries now gains a new meaning. The contract theorists of today would support the notion that people who work in the economic order of society—as distinct from their role as citizens of the state—have «inalienable» individual rights to free speech, free assembly, and corporate government by consent. They believe that one major purpose of corporate enterprise is to promote equality and social justice. Thus a new philosophy is emerging today that defines the social contract as belonging to the political economy of society.

The study of the emerging social contract has its scientific foundation in the natural order. By its very definition, the business organization is considered as a social unit. According to Parsons (1960, p. 17), «Organizations are social units (or human groups) deliberately constructed and reconstructed to seek specific goals.» Modern society and civilization depend on organizations as the «most rational and efficient form of social grouping known» (Etzioni, 1964, p.1). The industrial firm, as an organization, is a powerful social tool for coordinating human action, combining human and material resources, bringing together leaders, experts, workers, machines and raw materials. All this permits an organization to serve the various needs of society and its citizens more efficiently. Speaking in systems terms, society, or the larger social structure, expects inputs from industrial organizations, which contribute to its processes of maintenance, growth, and survival as a system (Parsons & Smelser, 1956). Society is concerned with business action, since the latter employs human re-

sources as well as material resources. Society is concerned with the way that these human resources are utilized by the firm, as much as it is concerned with the final product of the process of production. The standards of living of a certain society, which is one of its major goals, are increased by the outputs of the industrial organization as well as by the conditions employed in producing the output (Zannetos, 1963, p.7). Both, the output of the firm and the conditions employed in producing it are related to the notion of social consciousness and responsibility and to the way society manifests her approval or disapproval.

The psychosocial contract, as a scientific concept, can incorporate the whole pattern of responsibilities, obligations, expectations, rights and privileges between the individual, the organization and society, which, although not officially written in a formal agreement nevertheless operate powerfully as determinants of behavior. A consideration of the shared consensus as to the legitimacy of authority of the organization would also involve society, in a larger plan. On the other hand, the contract would involve the perception and the possibility of individuals to influence the organization and a democratic society, their acceptance of the system (organization) and the larger system (society), and their conscious involvement as responsible, committed and moral beings in the solution of the organizational and societal problems. Also, the contract would refer to the organization and its possibility to get consciously involved as a responsible, committed and moral entity to some of the major problems faced by modern organizational society and human beings. Such a psychosocial contract would also refer to the expectations that society has to meet for both, the organization and the organization members, for fairness, just treatment, security, growth, self-actualization, high standard of living and democratic ideals.

The nature and specific impact of a 3-dimensional psychosocial contract between the individual, the organization and society, are not easy to define theoretically. We need to specify and test concrete and specific patterns of interaction, mutual expectations and motivation, types of authority, kind and degree of involvement, etc. All of these are areas which need further elaboration, study and operational definition if such a 3-dimensional psychosocial contract is to acquire importance for studying worker participation in Western enterprises.

## **II. practical framework: a research design**

Now we can ask ourselves: How do we design a research project within the theoretical orientation of the psychosocial contract? What are some key variables that could be operationalized at the level of the

individual, organization, and society? Our theoretical framework suggests that a dynamic relationship exists among the variables of these three levels and that research in the future will need to draw upon past studies to build systemic connections among them.

It appears to us that a new social contract is evolving in economic enterprises today that is founded on the norms of democracy. It has all the rudiments of the social contract once assigned to the formal government or political order of society. The economic enterprise is now being conceived as having its own internal government including human rights for workers and is evolving as a central consideration of economic administration.

Furthermore, we may propose scientifically that the new norms developing in the democratic enterprise seem to cultivate human resources (such as the personal authority and strength among the employees) in a manner that the command norms of conventional business do not. It appears that the new norms of democratic self-management are helping to demand a greater responsibility and more knowledge of the workers in the democratic enterprise than has been true of workers in the conventional command system of business.

But we do not know all the facts about this proposed change in the relationship between the individual and the enterprise in society and this question must now occupy us for the remainder of our paper. We can illustrate what we have in mind by discussing a research design where there is interaction of variable types of corporate organization, variable psychological states of individuals, and variable societal factors.

### *1. The Individual, the Organization, and Society*

Studies of the psychological states of employees in Western business enterprises have tended to concentrate on the problems of frustration and alienation that develop around the industrial workplace; they have also tended to focus on improving human relations within conventional forms of business and the standard norms of command management.<sup>1</sup> But our theoretical framework suggests that individual workers may have a stronger influence on their corporation when they are permitted to engage in higher levels of decision-making. Furthermore, recent research indicates that the personal growth and well-being of employees is also significantly advanced by higher levels of decision-making in business management. The mental health and the creative life of employees is closely associated with participation in

1. Description of this research can be found in E. F. Huse and J. L. Bowditch (1976).

decision-making in the larger organizational system of business beyond the workplace. It is here that human relations research is now finding significant breakthroughs on what enables employees to develop maturity and find fulfillment at the workplace.<sup>2</sup>

Our purpose is to follow these signs of a new direction in research and formulate a framework for studying human relations in business that broadens the theoretical orientation of past studies to include the higher decision-making levels and the larger societal context within which business organizations operate. We need to learn more about how personal development and productivity are associated with the democratic participation of employees at middle and upper levels of business administration. We need scientific research to observe what types of democratic enterprises correlate with what types of creative attitudes of employees. Also, what societal structures and processes provide for greater democratization of enterprises and effective participation of employees in decision-making at the various levels.

This type of research requires that we identify key variables associated with the command hierarchy of decision-making in business firms, key variables associated with the social and personal well-being of workers, and key variables of society that may affect both the organization of business and the individual workers. We can then study in more detail the new directions that recent research has been suggesting.

2. Some of the reasons for thinking that a new approach to human relations research is needed today can be seen in the results of studies showing higher levels of productivity associated with worker participation in higher levels of decision-making. Cf. R. Walton (1972); L. D. Davis & A. B. Cherns (1975).

TYPES OF DECISION-MAKING: *Degrees of Social Control or Influence*

Management	Workers
<i>Command Pattern</i>	
1. Gives orders	1. Follows orders
2. Gives advice	2. Follows advice
3. Gives information	3. Acts as expected
<i>Legalistic Pattern</i>	
4. Accepts requests and adjusts complaints	4. Makes requests and complaints
5. Negotiates	5. Seeks to bargain
<i>Democratic Pattern</i>	
6. Asks for joint consultation	6. Participates on the basis of co-influence
7. Participates equally in decisions with workers	7. Participates with direct democratic authority
8. Participates through chosen representatives	8. Participates through chosen representatives

2. *The Organization: Key Variables of Business Enterprise*

The variables defining the degree of social control over worklife by employees then become our first task of definition. The variables of control (column 1) that are defined by different researchers in political science and industrial sociology become helpful to our purposes (Bruyn, 1977, p. 62; Bernstein, 1976, p. 48).

The types of issues that are important in affecting the work-life of employees have been categorized in the literature as follows (Bernstein, 1976, p. 52; Bruyn, 1977, p. 132):

TYPES OF ISSUES: *Levels over Which Control May Be Exercised*

1. Physical working conditions
2. Safety rules and practices
3. Placement in particular jobs; discipline; setting work standards, pace how the job is done
4. Hiring; training
5. Promotions
6. Fringe benefits; collective welfare income (e.g., medical; housing)
7. Job security, layoffs; setting wages
8. Setting salaries; management bonus plans and stock options
9. Research and Development
10. Choice of products, markets, pricing
11. Promotion of executives
12. Economic relations with company's other divisions, if this is headquarters
13. Investments in new machinery
14. Investments in new buildings
15. Division of profits—allocation of net earnings to reserves, investment, distribution to employees, outside stockholders, etc.
16. Economic relations with company's other divisions if this is a subsidiary—Raising capital; economic relations to other firms, banks, government.

These two sets of variables on «issues» and «control» together provide the basis for determining the degree to which any single enterprise is democratically organized. The different degrees of democratic management can then be studied against the range of creative attitudes expressed among employees.

3. *The Individual: Key Variables of Psychosocial Character*

Many different social psychologists and psychiatrists have developed theoretical frameworks for studying the life-world and social character of people at work. The following attitudinal traits, for example, have been formulated by Erich Fromm to designate what he describes as «productive» and «non-productive» orientations to work. They can be studied empirically and measured on a bi-directional continuum. Some of these traits are categorized below to illustrate the four different types of



psychological orientation noted by Erich Fromm to be important in *Man for Himself* (1974, pp. 114-116).

TYPES OF SOCIAL CHARACTER	
Positive Aspect	Negative Aspect
<i>Receptive Orientation (Accepting)</i>	
10 9 8 7 6 5 4 3 2 1	
Accepting responsive devoted modest charming adaptable socially adjusted idealistic...	Passive, without initiative opinionless, characterless submissive without pride parasitical unprincipled servile, without self-confidence unrealistic...
<i>Exploitative Orientation (Taking)</i>	
10 9 8 7 6 5 4 3 2 1	
Active able to take initiative able to make claims proud impulsive self-confident captivating...	Exploitative aggressive egocentric conceited rash arrogant seducing...
<i>Hoarding Orientation (Preserving)</i>	
10 9 8 7 6 5 4 3 2 1	
Practical economical careful reserved patient cautious steadfast, tenacious...	Unimaginative stingy suspicious cold lethargic anxious stubborn...
<i>Marketing Orientation (Exchanging)</i>	
10 9 8 7 6 5 4 3 2 1	
Purposeful able to change youthful forward-looking open-minded social experimenting undogmatic...	Opportunistic inconsistent childish without a future or a past without principles and values unable to be alone aimless relativistic...

This framework of productive and non-productive orientations has been applied by Erich Fromm and Michael Maccoby (1970) in the study of village life in Mexico. An interpretive questionnaire was formulated to determine through interviews the basis for the expression of different patterns of attitudinal traits by the villagers. The traits can also be studied for our purposes as they are actualized among workers in different types of democratic business enterprise. The degree of actualization of attitudes can then be compared to the degree of social control exercised by workers over issues that affect their working life.

#### 4. *The Society: Key Variables of Class and Culture*

A comparative study of economic enterprises in various types of society and in different regions of one society would show the dramatic effect of key societal variables affecting life of the organization and the individual workers.

The existence of a social property law in Peru, for example, will incline business enterprise to develop democratic «self-management» under the right political conditions. These legal conditions would contrast with Brazil where the command system of business management is the social norm.

In the United States, people in the state of Oregon are much more likely to organize producer cooperatives than people in the state of Massachusetts simply because of the different corporate statutes. Corporate law in Oregon favors the development of producer cooperatives and this necessarily has a positive effect on the extent of business organization along these lines in contrast to Massachusetts where the cooperative laws are not so favorable.

In the cultural life of the Basque region of Northern Spain it would be much easier to set limits on the range between the highest and the lowest income of employees (e.g. 5 to 1) so that there would be less invidious distinctions between top management and low paid labor than it would be to attempt to set the same limits in Greece. The normative expectations of people in the society become determinants of organizational behavior in these different societies.

Our key societal variables then must include differences in the class structure, law, norms, institutional life (family, church, government, schools) and regional differences in styles of life. We will account for such factors later in our discussion of how we can test the questions we raise on the changing norms of economic enterprise.

### III. methodological considerations: research foci

#### 1. *Organizational and Individual Variables*

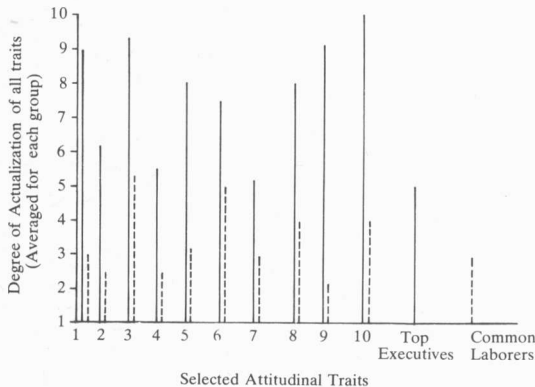
Let us begin with four types of business operations that differ from one another on the basis of degrees of democratic participation by employees: (a) The wholly-owned corporate subsidiary; (b) the franchise operation; (c) the conventional business partnership owned locally, and (d) the business cooperative owned and managed by the workers or jointly owned and managed by workers with customers. These four local enterprises represent a gradation in formal administration from a relatively undemocratic command hierarchy as in the case of the corporate subsidiary to a maximum level of social control exercised

by the employees in the case of the worker-owned and managed cooperative. The franchise represents a special contract relation with an outside corporation that generally permits top management a greater authority over local operations than is true of the subsidiary. The business partnership represents complete control by a few owners but generally without worker participation. The producer cooperative, on the other hand, is normally administered with full democratic authority by the workers over the issues that affect their daily working lives.

The degree to which productive attitudes of workers are actualized in these different enterprises can be assessed through field observations, interviews, and through formally administered questionnaires. Thus, different methods for obtaining data offer both qualitative and quantitative reports on the quality of working life. The data may be cross-checked to enhance the validity of the study. The qualitative reports would consist of descriptive accounts of how employees handle the administrative problems they confront in their daily worklife. Such descriptive accounts would be made, in some cases, on the basis of participant observation. The quantitative reports would consist of tabulations made from the results of formal interviews with workers following the procedures suggested by Fromm and Maccoby. These tabulations can take several forms.

One form of tabulation may be graphing the degree to which all attitudinal traits are actualized in the working life of common laborers and top executives. If we were to select ten traits and «ten» were also a perfect score, such a graphing might look as follows in the corporate subsidiary:

FIGURE 1: Estimated Degree of Attitudinal Traits Actualized in a Corporate Subsidiary

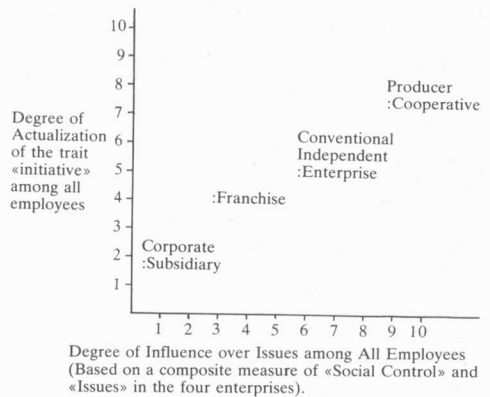


Our hypothesis suggests that the degree of actualization for top executives and for common laborers would be relatively unequal in the corporate subsidiary while relatively equal in the producer cooperative.

Another form of tabulation would show a composite score averaging the findings on the degree of actualization of traits for all employees in each enterprise. The trait of being «responsive» or «able to take the initiative», for example, could be averaged for all the workers in the four enterprises: the subsidiary, the franchise, the independent enterprise, and the producer cooperative.

Based on a theory that the degree of democratic participation in an enterprise is closely associated with the personal growth and well-being of workers, we would expect that the traits would be actualized most favorably in the cooperative enterprise which is owned and managed by the workers. The degree of actualization among all employees in other enterprises would follow according to the degree of democratic organization expressed within their separate administrations. If we took the positive trait of being «able to take the initiative», for example, we would expect the four types of enterprises to be roughly skewed on a graph in the following manner:

FIGURE 2: Types of Economic Enterprise



## 2. Societal Variables Acting within Types of Businesses

It is important for a research design, following the concept of a psychosocial contract, to control for societal variables acting within or upon the organiza-

tion of the firm. We can note here for example, such variables as the degree of union organization, types of communities, and the level of education that have a strong influence on business administration.

The degree of union organization within different regions of the United States, for example, has a marked affect on the degree of participatory authority of workers. The recent migration of textile firms from the Northeast to the South, where workers are not strongly unionized, has significantly reduced their influence over corporate behavior. This factor is then important and we must take it into account in our research. The same business enterprise becomes more authoritarian as it moves South and operates under different regional norms.

We could expect that any enterprises that were operating in a rural area of the United States with illiterate migrant workers, for example, would tend to show a low degree of participatory authority in most types of business firms. The effect of low schooling and low citizen participation in government in the region would be a strong influence on the organization of local enterprise. If a corporate subsidiary, for example, were operating in this rural area, the chances for any positive measure of worker influence over the firm would most likely be negligible (see Figure 3).

On the other hand, a corporate subsidiary that is operating in a city ghetto where workers have a higher degree of education and are under union authority, would very likely show considerably more participatory authority among the workers.

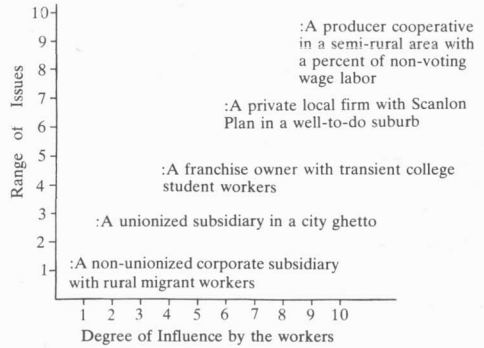
Let us go further with our business types and suggest that a franchise operator employing students on a college campus might have a still higher degree of participation depending upon other factors such as university rules. The transient nature of the student population in this case of course would tend to reduce the likelihood of a high degree of participation in decision-making, while their level of education would tend to increase it.

Now let us say that a local business is operating in a well-to-do American suburb. It has a Scanlon Plan that involves joint labor-management committees making decisions about rates of production in relation to rates of monetary return to employees. We would expect this type of enterprise to show a still higher participatory measure of influence in the firm by the workers.

We know of producer cooperatives operating in semi-rural areas with a significant percentage of their workers without the opportunity to participate in management even though their corporate charters claim otherwise. This has been the case for some plywood cooperatives in the northwest United States and certain Kibbutzim in Israel. The seasonal de-

mands of the market in the plywood industry and the government's demands in Israel for high production in certain Kibbutzim factories have led to a modification of the internal administration of the enterprises in spite of their formal purposes. These societal forces limit the extent of worker authority in the firms (see Figure 3).

FIGURE 3: Societal Issues and Worker Influence



### 3. Controlling for Societal Variables

The productive orientation and well-being of employees will of course be strongly influenced by many other societal factors that bear on their lives. The important methodological problems to confront in controlling these influences experimentally are the design of the questionnaire and the choice of a set of cases that are comparable to each other.

#### a. The Questionnaire

The questionnaire that measures the degree of productive orientation among employees should focus on the life-world of employees in their work organization, that is, on attitudes expressed within the work system itself. Questions should distinguish the work-role of employees apart from their role in the family or community life. Questions should yield answers on how workers respond to the job and relate to one another at work, taking account of all levels of hierarchy. We can assume that the life-orientation of employees at work will intersect with their role in the family and other organizations but we cannot expect at this stage to measure the pervasive influence of the work role on another role in a different social setting. The different roles that people take in life do have an influence on one another but it becomes important at this point simply to dis-

tinguish the productive orientation of employees at work.

#### b. Outside Influences on the Work Role

We assume here that the way an enterprise is organized will have an effect on the productive orientation or social character of workers and therefore other influences must be controlled for experimental purposes. The choice of business types must be made comparing the level of education and income among employees as well as their family background. The nature of one's upbringing in a family (e.g., patriarchal vs egalitarian) will be a major factor in determining one's orientation at work regardless of the influence of the business organization itself. The length of time that employees have been working within the enterprise also becomes a highly significant variable in determining the extent to which the organization has had a measurable impact on the life of the employees.\*

#### 4. *Research on Democratic Management and General Theory*

The overall objective of the above research program is to formulate a scientific basis for studying changes taking place today in the social contract of economic enterprise. We are especially interested in how human resources may be developing through innovative forms of democratic self-management and how the individual may be developing a stronger influence on the organization.

\* The *process* of organizing worker owned and managed firms must also be observed for its effect on employees who have formerly worked under a command management. In Boston, Massachusetts, for example, we have observed employees discharged from two shut down plants who later took part in the process of purchasing their former plants. Both plants were formerly subsidiaries of corporations based outside of Boston. One plant was a bakery consisting of three hundred employees. In both cases we participated with workers in meetings which involved assessing the worth of the plants, purchasing the plants with back vacation-time pay, and proceeding toward the conception of worker-management schemes. We observed how their own attitudes developed on the importance of political equality for each worker in the overall plant management. We watched their business knowledge increase as they confronted the details of purchasing the company and financing it and how they gained their own personal authority in formulating judgements about the purchasing arrangements. We saw them develop skills in discussing the financial, management, and marketing in the takeover of the firm from the owners.

These were moments of personal development that became part of the process of creating a worker-managed enterprise. They should be part of the larger comparative study of firms at different stages of development. We assume that the process of organizing a firm can have a definite effect on the human resources that develop within the internal administration of the enterprise.

Many significant studies have focused on the development of economic resources in the macro-system but very few studies have been conducted from the perspective of the psychosocial contract. With this perspective we can begin to study the development of human resources in the economic order. By the «development of human resources» we mean a general increase in the capacity of people to solve their own social and economic problems within the enterprise community.

This proposed study of democratically oriented enterprises grows out of a scientific interest in how social development happens within economic systems. We need to know more about how human resources are cultivated within the organization of economic enterprise and how enterprise itself develops social accountability and responsibility.

Our general hypothesis is that the formation of democratically managed firms is creating a new form of contract. We believe that the normative order of this contract acts significantly to develop human resources. Our basic proposition is that personal and social resources are cultivated on the whole more quickly and more fully within firms that are owned and managed by their employees than is true of development within conventional enterprises.

This general hypothesis is closely linked with studies of development that appear within socialist countries. The state command-system of enterprises in some socialist countries is compared in many ways with the business command system of management in capitalist countries. Studies of how human resources are actualized in this research in western societies, are closely related to research in socialist countries which seeks to measure similar forms of social development within the economic order (Horvat, et al., 1975; Vanek, 1975; Pateman, 1970).

The psychosocial contract is a theoretical construct designed for studying recent developments in the economic order of society. It identifies the individual, the organization, and the society, as the key categories of analysis in the economic order of society. It emphasizes a 3-dimensional basis for studying the changing structures and values associated with the way people formally work together. It is the theoretical basis for researchers to progressively specify key variables within the new form of contract emerging in the corporate system of modern society.

The new form of contract consists of the system of human rights, obligations, and duties developing in the political economy of all modern societies. It represents a revolutionary change in the beliefs of people and in the structure of the economic order. The concept of human rights formulated by such writers as Rousseau and Locke in the seventeenth and eighteenth centuries to explain an emergent political

order is now becoming applicable to the economic order. Its evolutionary development requires careful attention by social scientists in the coming decades of the twentieth century.

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