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The New Capitalism and the End of Management?

I indicated in the previous chapter that we need to be very wary of the extravagant, generalized claims of those who proclaim a new and unprecedented era of change within which organizations exist and to which they must respond. Such 'epochal thinking' (du Gay, 2003), with its 'cartoon concepts' (Froud et al., 2006: 66) such as post-bureaucracy, is at best oversimplified and at worst acts to justify punitive assaults on people's lives and livelihoods in the name of historic necessity. However, it would be equally flawed to claim that, somehow, nothing changes or has changed and to fail to understand organizations within their wider cultural and economic context. But 'context' is far too anaemic a word: organizations are both a cause and consequence of, and so inseparable from, culture and economics.

In this chapter I want, to a greater extent than I have before, to locate the study of organizations within this inseparability. Of course to do this fully would require much more space than I can devote to it – several long books, in fact – so I am just going to sketch some contemporary issues about the kind of society and economy that has emerged over recent decades in the West. Apart from introducing these issues, I also want to underscore what has been a major theme of this book: that when we study organizations we must necessarily be concerned with politics, economics, history and society. It is still a major failing of most courses on management and business that they, and knowledge about them, are presented in a way which is denuded of such things, except perhaps in the form of a few trite claims and unstated assumptions. But that failing is part and parcel of treating the study of organizations as a 'technical' matter of delivery, rather than probing the question of what is delivered and why.

the making of the new capitalism

One way of understanding these 'contextual' issues is in terms of what Richard Sennett (1998; 2006) calls 'the new capitalism'. This is a useful

term because it reminds us that what is at stake is not some epochal rupture with the past, in the way claimed by the change fetishists: it represents in some ways a continuation of capitalism and in some ways a modification of it. On the other hand, the term 'new capitalism' allows us to raise questions about it without falling into an equally useless binary, that of capitalism versus communism – for what is at stake is a particular form of capitalism and its consequences. The new capitalism has many aspects, including the relentless accent upon change and post-bureaucracy discussed in the last chapter. It is manifest in a whole variety of ways including the growing dominance of finance, both in the sense of the global banking and derivatives industries (Stein, 2010) and in the sense of corporate financialization (Folkman et al., 2006; Froud et al., 2006). This latter term carries two meanings. One is the idea that the sole purpose of organizations is the maximization of shareholder value, with businesses having no wider obligations or accountability. The other is the idea that even for firms in the manufacturing sector, a central activity is the use of its assets for purposes of 'financial engineering'. In pursuit of financialization, companies offshore and outsource their activities to countries with the cheapest labour and the most limited protections for employment rights, seeking to 'sweat' their assets – both human and financial – to the maximum extent. Meanwhile, companies themselves are traded and re-traded between investors with little or no long-term interest in them (see Das, 2011 for a readable insider's account of how this financialized new capitalism works).

One of the many organizational and social consequences of all this is to break the connection between businesses, places and communities. Until relatively recently, the names of organizations often reflected such links. Banks and building societies were, in the UK, called things like the Midland or the Halifax. Airlines were national flag carriers for their countries and were, normally, state-owned. And company names reflected not just place but also function: they were gas firms or water firms, for example. That naming has either changed or become meaningless. Thus Midland is subsumed into HSBC, Halifax into HBOS, and when HBOS collapsed during the financial crisis, Lloyds. Airline ownership is largely dispersed: they now rarely have a connection with the country they reference, or have names that don't reference a country at all (Virgin, easyJet, etc.). Thames Water is owned by an Australian-derived holding company and Scottish Power belong to a Spanish company, Iberdrola; Heathrow Airport belongs to the Spanish firm Ferrovial; British Gas is owned by the multi-national conglomerate Centrica. British names such as HP sauce, Tetley Tea, Beefeater Gin, P&O, Weetabix, Jaguar, Rolls-Royce, Hamley's, OXO, The Body Shop, Harvey Nichols, Marmite, even Harry Ramsden's fish and chip shops –

and hundreds of others – are now owned by international companies or consortia.[1] Those interested in football might wish to consider the way that football clubs – at least the elite clubs like Manchester United and Chelsea – now have little connection either in their ownership, their players or their fan base with the localities to which their names bear testament: they are global 'brands'.

This isn't a nostalgic, nationalistic lament, nor is it parochialism, although as I will explain below it has the potential to be exactly that. Rather, I use these examples because Britain has, indeed, been especially willing to see its companies sold off and this is because, in a sense, just as Britain was in the vanguard of the industrial revolution, so too – along with, in particular, the USA – was it one of the first developed economies to embrace the new capitalism. It has certainly been one of the most enthusiastic adherents of a new capitalist economy based upon financial services, financial engineering, offshoring and outsourcing.

The relaxed attitude to the internationalization of ownership of what were once UK companies reflects a distinctive attitude to organizations. Understood merely as 'brands', ownership doesn't really matter – indeed, many of the brands I have alluded to continue to exist, even though their ownership has changed. But understood as the products of organizations, it most certainly does. The link between ownership, work and community is a complex one, which the language of brands fails to account for. A localized employer, rooted in an area with a workforce that has longstanding personal and familial ties with that product and that employer, is an important source of community. Once the link is broken, then not only are workplace practices likely to change but so too is the meaning of work itself. So too is the meaning of ownership: why should a dispersed, international ownership 'care' about a business above and beyond its financial value? So too is the relationship between business and politics: can individual governments regulate such organizations or must they instead compete to attract them?

Of course there have always been takeovers and mergers of companies, but within the new capitalism companies are traded and re-traded endlessly so that there is never a moment of stability in which ownership patterns settle down. There is a constant reshuffling of the corporate card deck, as if the players of a game of Monopoly were not only suffering from attention deficit disorder but were also taking amphetamines. And remember that what is being traded isn't cards, it isn't even brands – it is the lives and livelihoods of the people who work for these companies. These are the chips being played ~~with in~~ what the late Susan Strange evocatively described as the 'casino capitalism' which emerged from the wholesale deregulation of financial markets in the 1980s (Strange, 1986; see also Das, 2011).

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The transformation of the corporate landscape to one of freewheeling globalized financial deals is part and parcel of what the Australian writers Gee, Hull and Lankshear (1996) neatly call the 'fast capitalist story', in which constant transformation of organizations, and constant speeding up of work within those organizations, are mandatory to organizational survival in ways that clearly echo my discussion of post-bureaucracy and change in Chapter 4. In calling it a 'story' they do not mean it is untrue, but rather that it is an ideology with real effects: that is, to the extent that the story is accepted and acted upon, then the consequences will be real for organizations and individuals who are not 'fast enough', and they will be *punitive*. Gee et al.'s analysis is consistent with a rash of related observations made by several influential commentators on the nature of contemporary society and capitalism, such as Edward Luttwak (1999), who popularized the now widely used term 'turbocapitalism' to denote these developments, and Boltanski and Chiapello's (2007) analysis of 'the new spirit of capitalism'. Whilst all of the works I have referred to in this paragraph are nuanced in different ways, use different terminologies and have different modes of explanation, they are all, I think, circling a similar set of issues to that which Richard Sennett calls the new capitalism.

Sennett (2006: 37–41) himself locates these developments in the unleashing of huge amounts of investment capital following the collapse of the Bretton Woods Agreement (the system which had regulated international trade and currency movements since the end of the Second World War) in the 1970s. This in turn led to a period of massive restructuring through mergers and acquisitions. Stability, indeed, became seen as a sign of weakness and companies had 'to look beautiful in the eyes of the passing voyeur [by] demonstrating signs of internal change and flexibility' (Sennett, 2006: 40). One might say that the display of this beauty became one of the 'symbols' of the economy of disorganized capitalism identified by Lash and Urry (1994). Such a capitalism is no longer primarily concerned with the production of useful goods and services, but is rather about the promulgation of brands and the pursuit of 'value'.

At the same time as the collapse of the Bretton Woods Agreement was beginning to have effects, a new kind of political analysis was emerging, especially in the UK and the USA, in reaction to the post-Second World War settlement. Inspired by the Chicago School economics of Milton Friedman and a (highly partial) reading of the eighteenth-century economist Adam Smith, this has become known as neo-liberalism, and its basic precepts are that individuals are rational self-interested actors, markets are the best allocator of resources, and the state is both inefficient and immoral in restraining individuals and

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regulating markets. Translated into policy, this meant deregulation of the private sector, privatization of – or creation of internal markets within – the public sector, breaking the power of trade unions and promoting global free trade. In the USA this agenda informed the 1980s' administrations of Ronald Reagan, and in the UK those of Margaret Thatcher. Prophetically, the very first policy decision of the 1979 Thatcher government was the abolition of exchange controls that limited the flows of capital into and out of the UK. And although for many students now these names and dates will seem almost prehistoric, it's important to understand that the basic agenda initiated at this time was accepted by subsequent administrations in those countries up to the present day. Moreover, it had a huge impact on the economic policies of just about every country on the globe, especially following the collapse of the Soviet Union which seemed to imply not just that capitalism was the only game in town but, moreover, that neo-liberal or new capitalism was that game. History had 'ended'. Of course there is much more to neo-liberalism than this (see Steger and Roy, 2010 for an accessible introduction; Crouch, 2011 for a provocative commentary). It's really impossible to understand organizations in today's world without having some grasp of neo-liberal ideas and policies.

However, even though neo-liberalism formed the background to the new capitalism, they are not the same thing. In its pure form, neo-liberalism is about the primacy of competitive markets in which firms maximize profits. But in at least two ways the new capitalism differs from this. Firstly, it partly takes the form of what Parker (2002) calls 'market managerialism', meaning that the managerial techniques of free market capitalism come to applied to both public services, creating quasi-markets of competition between for example, publicly funded schools, and to sub-contracting of public services to private companies but companies which do not operate in a free market so much as an oligopoly made up of a few large providers. Secondly, unlike perfect free markets, the new capitalism sees senior executives taking significant rewards and, in some cases, unjustified risks, at the expense of shareholders, as will be discussed in more details below.

Additionally, in the first case especially, and the second case sometimes (e.g. banking), when firms fail the state has to take on the responsibility. So with public sector outsourcing, ultimately the state has to step in if the private sector fails because of the political pressure to do so. And with banks, if they are 'too big to fail' they get bailed out by the government. This is sometimes pejoratively called 'lemon socialism', and summed up in the phrase 'privatize the profits, socialize the losses'. In other words, when things go well in the new capitalism, firms

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get the profits, but when things go wrong the government, and thus ultimately the general public, have to cover the losses.

the crisis of the new capitalism

Early indications that something might be rotten at the heart of the new capitalism came with the now notorious case of the US company Enron. Roberts and Armitage (2006) depict Enron as having developed, since its foundation in 1985, from being a 'modern' organization, specializing in gas distribution, to a 'hypermodern' organization by the end of the twentieth century. As a hypermodern organization, its business became ever more diversified and moved away from being based upon tangible assets, such as gas pipelines, to being a complex web of financial engineering and brand management. In this way, Enron may be said to exemplify Lash and Urry's (1994) insights into disorganized capitalism, in which physicality (actually producing 'things') gives way to an economy of symbolic manipulation ('leveraging the brand'). Enron was in a continuous and continual process of reorganization; work practices were constantly changing, staff turnover was massive. It was lauded as exactly the kind of innovative firm that summed up the supposed virtues of the new capitalism. In 2001 Enron collapsed, mired in a scandal which also destroyed its auditor, Arthur Andersen – then one of the leading global accounting firms which, not coincidentally, shared many organizational features with Enron.

Despite this high-profile corporate disaster, few at the time were willing to see it as anything other than an anomaly, something caused by the greed and corruption of individuals rather than indicative of any wider systemic problem. Some however were more far-sighted. For example, the respected business journalist Simon Caulkin (2007) discussed developments at ICI, one of the world's leading pharmaceutical companies. He pointed out that its global dominance had been built on investment in very long-term research and development work. Yet under the impact of pressure to conform to the business model of the new capitalism, ICI had transformed itself into a company concerned with deal-making – mergers, demergers, acquisitions, divestments – and the whole panoply of what Caulkin called '… the approved nostrums of financial management … the institutionalised bad management of the kind that ticks all the boxes of the narrow playmakers by whose rules the UK's corporate economy now runs' (Caulkin, 2007). In other words, rather than being an organization to allow the gradual, long-term building of real products, Caulkin saw ICI as becoming a shell for

the rapid, short-term generation of shareholder value. He was right: in 2008 ICI was taken over, dismembered, and ceased to exist.

Others were prescient in identifying the deepest flaw within the new capitalism: it is predicated upon massive personal, corporate and state indebtedness. For example, in 2006 the economist Ann Pettifor wrote these prophetic words:

> This book foresees a time, in the not too distant future, when the so-called First World will be mired in … debt. (Pettifor, 2006: 1)

Similarly, Elliott and Atkinson (2007) identified the 'Fantasy Island' economics which had developed in the UK by that date, i.e. it was an economy built upon individual consumer spending, which in turn was built upon debt, which in turn was based upon rising house prices which were themselves financed through debt. In 2007 personal debt in the UK for the first time exceeded the annual GDP of that country, and most of the consumption it financed was imported from abroad and in particular from China. In contrast, China and some other countries were running huge budget surpluses and thus, in effect, lending developed nations the money to buy their industrial output. But of course it was not just in the UK that this was happening. In a more extreme form, a similar process was ~~under way~~ in the USA in the so-called sub-prime mortgage market (or, more piquantly, 'Ninja' mortgages for those with 'no income, no job and no assets').

Even more precariously, these loans were being packaged up by investments banks into complicated financial instruments which were then used as the basis to leverage further borrowing. The fragility of all of this and the way in which it fell spectacularly apart is now well-known and has been described very fully elsewhere (see Lanchester, 2010 for a readable but incisive account). A few key events of this debacle included, in the UK, Northern Rock, the former mutual building society with roots back to 1850 which demutualized in the 1990s to become a bank, which collapsed and was nationalized in February 2008; and the Royal Bank of Scotland, founded in 1727 and following aggressive takeovers in the 1990s became the largest bank in the world, which was effectively nationalized in October 2008. Meanwhile, in the USA, investment bank Bear Stearns, founded in 1923, and which went public in 1985, went bankrupt in March 2008. Lehman Brothers, an iconic investment bank which had been a family firm from 1850 until as recently as 1969, collapsed in September 2008, whilst in the same month the massive US insurance company AIG, a private company from 1919 until, again, 1969, was in effect nationalized to prevent its collapse. These of course were only a few of the highest profile failures

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in the financial sector, but notice the common pattern of long-established, stable organizations which were transformed in, or at the very start of, the new capitalist era and fell apart in the crisis.

So familiar is all of this to us now that it is worth recalling that almost until the moment that the financial crisis happened, the model of the new capitalism from which it grew was enthusiastically espoused by most business leaders, economists and politicians. In 2007 Gordon Brown, the then British Prime Minister, not only lauded the ingenuity and creativity of the City of London, but also saw it as providing a template for how Britain and other developed countries should structure other areas of activity and as the harbinger of a 'new world order'. Whilst I am making a political point here, it is not one of narrow 'party politics' (indeed it is vital to understand that the main political parties in the UK and the USA shared in these respects the same ideology). For example, in 2006 George Osborne, the former Conservative Chancellor of the Exchequer, heaped praise on the Irish 'Celtic Tiger' economy, urging its financial deregulation as a model for others to follow. Within two years that economy was in tatters and its main banks bankrupt. Pointing these things out is not, or not simply, an exercise in point-scoring. It matters because it shows how comprehensively accepted was the culture of the new capitalism. Though it is easy for people now to pontificate knowingly about 'flawed business models' and 'inadequate regulation', not only did they largely fail to do so at the right time but also the flawed thinking espoused before the financial crisis has by no means disappeared as a result of subsequent events. At the very least, the way in which the new capitalism was presented as unquestionable common sense might embolden us to be more sceptical about current and future claims about what *is* unquestionably common sense. Especially, perhaps, when made by the very same people.

The most tangible effect of the financial crisis of 2007–2008 was, especially in the UK, to usher in a period of 'austerity' economics in which government spending on public services was cut back in the name of 'balancing the books' or 'reducing the deficit' (i.e. the difference between government spending and its income from taxation). Whilst this was a response to the crisis of the new capitalism it was, in line with my analysis in the previous chapter, very much a traditional response, not at all different in kind to that made in the 1930s to the financial crisis that followed the 1929 Wall Street crash. This was not a new era but the re-run of the familiar fiscal orthodoxy of balanced budgets. It became almost politically unquestionable that the nation had 'maxed out' its credit card borrowing and now had to repay the debt. But, apart from being based on the bogus economic idea that a nation's finances are like those of an individual or household, this formulation contained a deep

injustice. For it was not 'the nation' which had done this but a small global elite. They hardly suffered, and although in the aftermath of the crisis there was some reform of banking regulation, the power of global finance scarcely diminished. Those who were now to pay the price had had nothing to do with it, and moreover were typically the poorest and most vulnerable people who were dependent upon public services and state benefits.

The longer-term effects of this are still playing out, in complex and often paradoxical ways. Perhaps the most obvious of these is the rise, just as in the 1930s, of the politics of nationalism and populism. Whilst not necessarily simply to do with the financial crisis or austerity, this can be seen in countries as diverse as the UK, the US, Turkey, Hungary and Brazil. What seems to link these different cases is a backlash against globalization and the erosion of traditional communities which has accompanied that. In this backlash, the nation is asserted in the face of globalization, as evident in Donald Trump's slogans 'Make America Great Again' and 'America First', or in the UK, the Brexiter slogan 'Take back control'. The support for both Trump and Brexit was complex and multi-stranded, but at least one part of it came from the traditional working class in both countries who had seen industries, jobs and communities destroyed by the new capitalism.

But this backlash is not just nationalistic. It also seeks to mobilize the idea of 'the people' whose will is channelled through powerful, almost invariably male, leaders who will speak 'authentically' for the people, not just against those of other nations but also against 'the elite' within those nations. However, this doesn't mean, as might be expected, the global financial elite who caused the financial crisis – and, indeed, in many cases populist leaders and campaigns are funded by that elite. More often it means the 'liberal elite' of 'woke' intellectuals and 'the swamp' of state bureaucrats, and is animated by a sense that the people have been 'betrayed' by this liberal elite. Almost invariably the greatest hostility is towards actual or potential immigrants, both on the flawed[2] economic grounds that immigrants 'take' jobs and public services, and on the cultural grounds that they damage or disrupt what would otherwise be a homogeneous 'people'. Again, there is nothing new about this: all the same tropes can be found in the 1930s.

There is obviously far, far more that could be said about this wave of nationalist and populist politics that has swept through much of the world in the years since the financial crisis. But I think the key point, at least for the purposes of this book, is that its guiding theme is *nostalgia*. It is based on a double lie: an idealization of a past that never really existed, and even if it did, the idea that it can be reclaimed. What is perhaps most problematic about it is that it is misdirected. It responds

to the problems created by the new capitalism by blaming the wrong people, and seeks a solution not in creating a better future but in the inevitably doomed attempt to recreate an imagined past. doomed to be betrayed. For example, anyone who voted 2016 because of nostalgia about all those British compan been sold off during the new capitalism will have had a n For by 2021 it was clear that Brexit had ushered in a new price sell-offs of British firms to international investors (Hollinger, 2021).

Organization Studies and the New Capitalism

I have provided this very brief overview of recent economic and political events because it is important to see that there is a near seamless connection between these events and work organizations. This can be perceived at many different levels. The investment banks that were at the heart of the crisis are themselves organizations, of course, where the decisions and risks were taken which had such calamitous consequences. For example, the kind of gung-ho, aggressive, deal-making organizational culture that gave the then chief executive of the Royal Bank of Scotland, Fred 'The Shred' Goodwin, his nickname seems to epitomize the wider culture of the new capitalism (the 'shredding' referring to the ruthless cost-cutting that was his trademark). Similarly, Dick Fuld, chief executive of Lehman Brothers up to its demise, earned the nickname 'The Gorilla' as testament to his aggressive and competitive character. Again it is important to recall how, right up to the moment of their downfall, these kinds of business leaders were lionized. Goodwin was knighted for his services to banking and had been, amongst other things, European Banker of the Year in 2003; by 2009 he had become a figure of public derision and hatred and in 2012 was stripped of his knighthood. Likewise, Fuld in 2006 won an award for being the top private-sector chief executive in the USA; in 2008 he received another accolade, being named as the worst American chief executive of all time! I mention these rapid changes in fortune not simply for reasons of *schadenfreude,* but as a caution about the way that currently dominant business leaders who often display similar characteristics of bombast are still treated with reverence and awe – not least by students of business. One thing we might learn from the financial crisis is to be a little less starry-eyed about such people.

Clearly there is more to financial organizations than the personalities of their leaders, and there seems every reason to think that many of

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these organizations, especially in investment banking, have been characterized by highly aggressive and competitive cultures. In a way these organizations embodied the spirit of the new capitalism: the individualistic, financially driven, winner-takes-all and lunch-is-for-wimps ethos of neo-liberalism. Many have noted how such organizations seem to valorize a kind of masculinist, testosterone-fuelled behaviour – whether on the part of men or women, though many of the organizations in question are also male-dominated – and if the dealing rooms of the investment banks are the clearest expression of it, the general orientation is evident in many of the workplaces of the new capitalism. Detailed academic study of, specifically, financial traders is unfortunately quite rare (Fenton-O'Creevey et al., 2005 and Stark, 2009 being some exceptions), but it seems highly likely that alongside the general economic and political causes of the crisis of new capitalism there are some specifically organizational causes to be found.

But of course the significance of new capitalism for organizations goes beyond the organization of banking. It affected organizations of all sorts. In particular, the financial demands for ever-greater profits in shorter and shorter time frames impacts directly upon how organizations conduct themselves, and the experience of employees within them and of their customers. A good example is that of Southern Cross, the private-equity owned firm which managed hundreds of old people's care homes in the UK and collapsed in 2011. Essentially what they had done was, rather than simply to seek a profit from selling their care home services, to sell the properties and then rent them back, whilst using the sale proceeds to invest in other acquisitions. When the rents became unaffordable and the investment portfolio slumped, the whole thing fell apart in a prime example of the follies of financial engineering.

More recently, and on a much larger scale, the collapse in 2018 of Carillion, the UK-based multinational construction and facilities management firm, tells a similar story. Like Enron, it had origins in a traditional business (in this case a buildings material company) but had morphed into a hydra-headed provider of services, benefiting especially, like Capita discussed in the previous chapter, from government subcontracting of public services, itself a hallmark of the new capitalism. In taking over these services, it replaced secure jobs with pensions with precarious work. Meanwhile, senior manager salaries and bonuses soared. Like Southern Cross, it used complex financial engineering techniques. Like Enron and RBS it pursued an aggressive policy of acquisition. And like RBS and Enron it was lauded by analysts as exemplifying dynamic and innovative management. But as a subsequent inquiry into its collapse said, it was a 'a story of recklessness, hubris and

greed, its business model was a relentless dash for cash' (see Grey, 2018 for more detail). Like Southern Cross, this might almost be a case study in what Simon Caulkin (2007), referred to earlier, meant by the institutionalized bad management that is emblematic of the flaws of new capitalist organizations.

One social consequence of such management is to make organizations 'rootless': unconnected with places or communities. Richard Sennett's (1998) research is very revealing on this point. Based upon studies of several individuals and groups of workers (including some whom he had studied twenty years previously), he argues that it is the radical disorganization of work associated with the new capitalism which has disoriented and even destroyed what had previously been reasonably solid social relations. In particular, the erosion of stable career structures, where the work ethic was rewarded and which existed within reasonably secure organizations embedded within communities, has been a major factor in eroding trust and well-being. It's this which provides such fertile ground for the politics of nationalism and populism, with its false promise of the restoration of 'the way things used to be'.

Similarly, one important consequence of the financial crisis has been to expose much more forcibly how organizations within the new capitalism were marked by massive increases in inequality. In the UK, in a major study of the issue, the High Pay Commission reported in 2011 that in the period since 1980, average annual earnings had risen from £6,474 to £25,900, a real increase of 300 per cent. But in the same period the pay of top executives had increased by 4,000 per cent (High Pay Commission, 2011a: 7). This meant that, within individual organizations – organizations where, to recall what I wrote in the previous two chapters, all the talk at the time had been of shared purpose and flattened hierarchies – the ratio between the highest and lowest paid was increasing dramatically. The High Pay Commission gave some examples, and I will take one from the manufacturing sector and one from the financial sector. At British Petroleum in 1979–1980 top pay was 16.5 times higher than the average wage in the company; in 2009–2011 it was 63.2 times higher. At Barclays Bank, in 1979–1980 the multiple was 14.5; in 2009–2011 it was 75 (all figures quoted are from High Pay Commission, 2011a: 9). By 2020, FTSE-100 CEOs were paid 120 times more than the average wage of the employees (High Pay Centre, 2021). This means that, in 2021, those CEOs will have earned in five days what the average worker earns in a year. In the USA in 1965, the CEO to worker wage ratio was 20:1; by 1989 it was 58:1; by 2018 (the latest year for which there are figures) it was 278:1 (Mishel and Wolfe, 2019).

Apart from growing inequality, what also now stands brutally exposed is how insecure the new capitalism has made most of us, and again much of that insecurity is organizational (see Boltanski and Chiapello, 2007). Even as security, in the sense of protection of the population from terrorism, has become a central policy issue for governments, security, in the economic sense, has diminished. Stable employment is for most people the central plank of economic security, but that has diminished because the post-bureaucratic organizations of the new capitalism offer no such stability. Most people in the UK are apocryphally said to be just three pay cheques away from homelessness. In many countries, pensions – which used to be a central part of the security provided by employment – are under severe pressure, where they exist at all. Education no longer guarantees a well-paid job and, at university level, is increasingly expensive. These changes do not simply affect those 'left behind' by globalization, usually thought of as the manual working class in Western societies. Rather, such countries have increasingly seen a 'squeezed middle class' which has become relatively poorer and more insecure (OECD, 2019). And so the social contract that has obtained in Western democracies for at least seventy years – which said that if you took advantage of the education offered by the state and worked reasonably hard then you could expect to have secure employment and a secure old age, and would be protected by welfare if things went wrong with your health or some other piece of bad luck – is breaking up.

Organizations and more particularly work were the central part of that social contract and as they retreat from that, a new 'precariat' is emerging – the term coined by Standing (2011) combining the words 'precarious' and 'proletariat'. Associated with this is the growing use of zero hours contracts (you work and are paid as and when needed, so there is no security or predictability of income). Around this is emerging a business model sometimes described by the ugly term 'uberfication'. This derives from the taxi firm Uber, which has developed a model for taxi hire in which customers use a mobile phone app to match their journey requirements to the availability of an Uber driver. Since 2012 Uber has expanded, operating in about 300 cities worldwide in 2016 to over 10,000 in 2021. This has caused protests from taxi drivers because Uber drivers are exempt from the licensing and many of the regulations of established taxi firms and drivers, who are thus having their livelihoods threatened. As this model has spread, other terms for the same phenomenon have been used such as the 'gig economy', the 'on-demand economy' or the 'platform economy' (the point being that a platform such as Uber does not provide services but connects customer demand to a supplier, who provides a service as if engaged to play a gig). This

reflects, again, the point that how work is organized and how economies are characterized are interdependent.

However described, this model – which is now being applied to services ranging from dog-walking to doctors – has three defining features. The most obvious is a technological one, i.e. the mobile phone app that enables the connection between demand and supply to be made, including differential pricing according to levels of demand and supply at the moment when the transaction is agreed. The second is that it enables the avoidance of most or all of the regulations that apply to conventional providers of the service (although this is the subject of legal contestations in some countries). The third is that those providing the service are not employees of any company but are independent contractors or self-employed agents and so have no employment rights at all (again, this is contested and, in the UK, a recent legal ruling established some employment rights for Uber drivers and others).

The insecurities and inequalities of the new capitalism have been thrown into very sharp relief by the global Covid-19 pandemic, in a whole variety of ways. Most obviously, it highlights the gap between those in regular employment, and especially those who may have been able to work from home, so that when countries introduced lockdowns they may have been relatively unaffected, financially. Indeed, in some cases, such people have been able to build up substantial savings as a result of still being paid the same amount whilst being unable to spend as much as usual. But for others, in precarious employment, it has been disastrous. This in turn has exposed glaring inequalities not just between social classes but also those of gender, race and age (Vickers and Hutchings, 2020). To some extent, at least in richer countries, this has been masked by programmes of government support – but only somewhat and only temporarily. And even so, in the UK and US there has been a massive rise in people needing to use food banks to survive. Meanwhile, the richest 1 per cent of the UK's households own almost a quarter of total wealth (Resolution Foundation, 2021).

What has the study of organizations to contribute to all this? I think the answer is (or should be) 'quite a lot' because work and its organization is so central both to what has been lost and to what could be reclaimed. The way work is organized and rewarded is pivotal to issues of both economic inequality and social insecurity. It seems to me that there is much more that organization studies as an academic discipline could and should do, though. Much of the research in the field is, not unsurprisingly and not unreasonably, concerned with existing organizations. What is much less common – actually, all but non-existent – is any attempt to articulate alternative organizational forms to those we currently have (but see Parker et al., 2013 for some ideas). At all events,

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the new capitalist model of organizations is most certainly not the only one available. Co-operatives and mutuals formed the bedrock of nineteenth-century working-class reactions to the inequalities and insecurities of the day, including the mutual building societies that provided home loans and savings accounts, initially for particular towns and regions. It is ironic that many of those that were most successful and survived into the 1980s were then privatized and have now disappeared. In fact, *every single* mutual building society that privatized no longer exists, which says something about the false promise of the new capitalism. But some of the smaller mutuals are still there whilst, at a much bigger level of operations, the Co-operative Wholesale Society has a thriving network of shops and other services. Other successful examples include the John Lewis Partnership and its supermarket subsidiary Waitrose, and the insurer NFU Mutual.

Beyond the UK, the success in Germany of medium-sized businesses (the *Mittelstand*) with strong local roots and long-term ownership shows how it is perfectly possible for advanced industrial economies to sustain manufacturing firms and be profitable and globally successful without becoming enmeshed in the snares of financial engineering (*Economist*, 2014). And in Denmark, business foundations support long-term development in high-tech sectors such as pharmaceuticals without exposing companies to the daily demands of the stock market (Jack, 2011). So there are alternatives to the new capitalism that has failed, and they can exist in the 'old economies' of Europe. This matters because although the free-market ideologues want to present us with the idea of an inexorable Asian rise and European decline, the reality is much less clear, and the future certainly isn't inevitable.

So organization studies has a part to play in diagnosing the organizational causes and consequences of the crisis of the new capitalism. But it also has an urgent agenda to identify new organizational models in response, to rediscover older but now abandoned organizational ideas, and to re-commit to those ways of organizing which, whilst abjured by new capitalism, have persisted.

~~The End of Management?~~

the end of management?

<TS: These two are both to do with consistency to what we decided about retaining lower case throughout subheadings: I think the others have all been changed but it might just be worth checking them all, just in case any others have slipped through.>

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hi[...] crisis and the precarious
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that new capitalism also saw the erosion of trade union rights makes individual vulnerability to managerial power all the stronger. Beyond this, though, the place of management within the new capitalism is complex and contradictory. As I argued in Chapter 2, the high status of management was constructed over a long historical period as something necessary and valuable, to the point where it could be described by Peter Drucker in the mid-1950s as a bulwark of Western civilization. Sixty years on, that looks an almost absurd proposition. Instead, even managerially inclined writers could claim that 'there is a strong case that management … could finally die out early in the twenty-first century' (Koch and Godden, 1996: 1). That might well come true if the prescription of influential management guru Gary Hamel to 'fire all the managers' is followed (Hamel, 2011), and if the predictions of the Boston Consulting Group about 'the end of management as we know it' (Beauchene and Cunningham, 2020) are correct.

Even if we are sceptical of such pronouncements – which are very similar to, and often part of, those of the end of bureaucracy – it seems clear that the employment prospects and working conditions of, especially, middle managers have been eroded, as this went hand in hand with the development of new capitalism illustrated by the demotic utterances of the 'guru' Tom Peters: 'Middle management … is dead … It's over, d'ya hear? Over. Over. Over.' (cited in Thomas and Dunkerley, 1999: 157). It is tempting to dismiss such hyperbole, and it bears saying that claims about the imminent demise of management have been made for a very long time (e.g. Fletcher, 1973), but there is now a mass of well-researched studies over several decades attesting to the same thing (e.g. Heckscher, 1995; Thomas and Dunkerley, 1999; Kodz et al., 2003). There is also increasing evidence that managerial work, and especially front-line supervisory management, is being undertaken by Artificial Intelligence software (Bloom, 2021). In James Bloodworth's (2018) account of working for Amazon he reports how 'we lacked a manager in the ordinary sense of the word; or a flesh and blood manager, at any rate. Instead, each of us carried around … a hand-held device that tracked our every move …'. There was, in fact, a human manager monitoring these devices, but also algorithms which used the data generated to monitor and manage performance.

This erosion of middle management links directly to middle-class insecurity. Hence the emergence of a white-collar 'underclass' whose travails in the USA are documented by Ehrenreich (2006). These are the laid-off middle managers consigned to increasing poverty and despair by the disjuncture between their former wealth, status and security and their redundancy, both literal and metaphoric, in new capitalism. Management may not have disappeared but, at the very least, the shine

has gone off it as compared to its heyday in the post-war era. Few, if any, would now claim it be central to Western civilization.

This is illuminated by a study that some colleagues and I conducted (Brocklehurst et al., 2009). It was initially concerned with the knowledge brought by senior managers into the classroom when undertaking an Executive MBA programme. In the course of conducting interviews with these managers, we noticed that *not one* used the term 'manager' to describe themself. So we conducted a follow-up study with a smaller number of them, drawn from different kinds of organizations and sectors, and asked about this. They told us that they did indeed abjure the term 'manager' for two broad reasons. First, they saw it as an over-used term in that it no longer denoted a person of any great seniority but was routinely used for quite low-level supervisory jobs. This is not quite to posit the 'end of management', but rather to say that it has spread to the point where it becomes meaningless. Second, and more importantly, they saw 'manager' as having a pejorative meaning of someone who was inflexible, unproductive and – horror of horrors – bureaucratic.

Clearly this links with the widespread demonization of bureaucracy discussed in Chapter 4, and by the same token the terms which these 'managers' preferred to use to describe themselves are part of the new lexicon of organizations. These included 'leader', 'entrepreneur', 'change agent' and 'consultant'. Of course Executive MBA students are a very particular group of managers, but this makes my point in that what their particularity consists of is that they are ambitious high-flyers who have a degree of choice as to how to describe themselves: and they choose not to describe themselves as managers. In any case, the disenchantment seems to be more widespread than that, with a recent survey suggesting that only 9 per cent of employees aspire to be managers (Gale, 2019).

The significance of this can be linked back to the three broad explanations of the *rise* of management that I reviewed in Chapter 2. To reprise, these were that management arose because of its technical advantages of co-ordination; because it delivered control of workers; and as a result of the manoeuvrings of an elite group. What can now be suggested is that all of these reasons for management have been eroded. The increasing tendency to subcontract and to buy in expertise on a temporary basis suggests a shift from hierarchical to market-based co-ordination; the increasing accent on self-management at least potentially obviates the need for external management of labour. The uberfication business model described above exemplifies both these things: you don't need managers when you co-ordinate self-employed operatives through contracts. But perhaps most important – and no doubt linked – is the way that management has failed to perpetuate its elite status.

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At the heart of that failure, I think, are the consequences of the new capitalism raised in this chapter. As Sennett (2006) explains, the previous model of 'social capitalism' (as compared with 'new capitalism') has come apart, not least as a result of the way that investors now have far more power in relation to the managers of corporations than they did in the mid-twentieth century. As financial markets were deregulated, massive global flows of capital began to search out investment opportunities:

> Initially managers thought they were dealing with investors familiar to them from the past, that is, largely passive institutions and individuals. The workings of a firm would be confirmed at annual meetings where the only challenges would come from oddly dressed elderly ladies or vegetarian activists. The managers were soon disabused. Investors became active judges; a turning point … occurred when pension funds, controlling vast quantities of capital, began actively pressuring management. The increasing sophistication of financial instruments like the leveraged buyout meant that investors could make or break corporations while its management stood helplessly by. (Sennett, 2006: 39)

In these conditions, industrial managers gave way to financiers who became, in the novelist Tom Wolfe's now famous, or infamous, phrase, the self-styled 'masters of the universe' (Wolfe, 1988). It was and is not enough for the management of a company to turn a profit: they are constantly pressurized to increase that profit under threat of a new management team being brought in. Moreover, the time frame within which profits and profit increases were required became shorter and shorter, and the speed with which trading could occur became faster and faster. In short, the capacity of management to pursue interests that diverged from profit-maximization has become significantly reduced, and with it the basis upon which it could be sustained as an elite with its own interests. This is very evident in de Gaulejac's (2005: 9–12) poignant account of French managers torn between their moral impulses to treat staff fairly and humanely and the over-weaning demands of market imperatives to do the opposite.

There is, however, a very significant contradiction in this. For whilst it is true that middle managers have declined in status and that the power of investors has increased in the new capitalism, it is also the case that the very top managers have both retained and extended their power and privilege. Froud et al. (2006) have argued convincingly, and in detail, that the financialization of business around shareholder value actually benefitted senior managers more than shareholders, as the former gained

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substantial pay increases. This is evident in the statistics I quoted earlier, showing how the pay of senior executives has hugely increased in recent decades. But it is most dramatically evident now that it has become clear that some of these top executives in the banking industry were taking decisions which, far from being to the benefit of their shareholders, actually led to the destruction of their organizations and massive losses for those shareholders.

This is very important because the standard defence of the pay levels of top managers in the new capitalism is that they reflect the value they added to their companies. But destroying those companies can hardly be seen as adding value, and anyway it is not just the cases of complete organizational collapse which are relevant here. The High Pay Commission found that top pay across business sectors in the UK was not linked to performance:

> … there is rarely a link between directors' incentives and the way a company performs. In the past 10 years, the average annual bonus for FTSE 350 directors went up by 187 per cent and the average year-end share price declined by 71 per cent. (High Pay Commission, 2011b: 4)

Similarly, Forbes business journalist Susan Adams argued that the more CEOs get paid the worse their companies' financial performance, including share price, gets in the following three years (Adams, 2014). And more recently, a study of increases in CEO pay in the US found these were not generally linked to increases in their productivity (Baker et al., 2019).

This is not just about salaries but also other benefits, including pensions. In the UK, as in many other countries, the pensions of rank and file employees of both private and public sectors are being cut back as they are deemed 'unaffordable'. Yet no such strictures apply to senior managers. For example, although the privatized, albeit heavily state-subsidized, railways in the UK are widely criticized for their performance and fare increases, their senior managers need not fear for their old age. Thus the outgoing chief executive of FirstGroup could reportedly look forward to a pension of £325,000 a year, even leaving aside millions of pounds worth of shares in the company (Lea, 2011). A little less than Fred Goodwin received following the collapse of the Royal Bank of Scotland, admittedly, but it should still be possible to avoid having to take a part-time job in a supermarket to make ends meet. Even senior managers who make major mistakes do not suffer greatly. Having overseen the scandal in which ancient sacred caves in Australia were destroyed, the former CEO of Rio Tinto was paid a £7.2 million salary

for 2020 – a rise of 20 per cent on the year before – as well as being paid over £700,000 for his unworked period of notice and unused holiday (Ambrose, 2021).

So in these ways it seems fair to say that the new capitalism has gone hand in hand with the maintenance and enhancement of the managerial elite. The key difference compared with the 1950s and 1960s is that the elite has shrunk so as to encompass only the most senior managers alongside senior investment bankers, accountants, lawyers and so on. And whilst this top managerial elite may be most obvious in the private sector, it also exists – including the massive pensions and pay-offs – albeit to a lesser extent, in the public sector and for a very particular reason: the neo-liberal understandings of the superiority of private over public, and of human motivation being based on self-interest, led to the idea that the only way to attract 'top managerial talent' to reform the public sector was to pay equivalent salaries to the private sector. Ironically, those same ideologues now point to the high pay of senior public sector managers as indicative of the wasteful bureaucracy of the state!

Beyond all of this, whatever the fate of *managers* there has been no demise in the power of *managerialism* (de Gaulejac, 2005; Locke and Spender, 2011; Klikauer, 2013). That is to say, the insinuation of a managerial, instrumentally rational, way of apprehending the world at large – work organizations included – continues unabated. Within organizations, we see a proliferation of attempts to measure and manage performance and the relentless attention given to strategies, values, mission, quality, reorganization and so on discussed in previous chapters. Outside the workplace, as Hancock and Tyler (2008) show, more and more of everyday life is seen as being amenable to management. It now, perhaps, becomes clearer why in Chapter 2 I was at such pains to distinguish between management and managers. For whatever may be happening to the latter, management in the sense of a managerial way of looking at the world is in robust and swaggering form.

This is why it is important to differentiate what I have said in this chapter from those accounts of the end of management which make the rather naive claim that it heralds a new era of organizational democracy (e.g. Cloke and Goldsmith, 2002). Such claims are strongly related to those of the (supposed) virtues of post-bureaucracy discussed in the previous chapter. However what they miss is precisely how the end of management, if such we are seeing, does not end but rather extends or re-locates managerialism from the work of a specific group to the conduct of us all. It therefore marks not the end but the intensification of managerialization.

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conclusion

I hope that it is obvious that what I have called here 'the new capitalism' constitutes far more than 'the environment' within which organizations operate or have operated. Indeed, as I suggested in Chapter 4, the idea of a hard and fast distinction of organization and environment is flawed anyway. As regards the new capitalism, organizations are both its medium and its outcome, the one being inseparably part and parcel of the other. Things like deregulation, privatization, managerialization, outsourcing, merging, acquiring, offshoring, uberfication and financial engineering are done by organizations, as well as being done to them. So, to make the point yet again, we cannot hope to study organizations properly without studying economics, politics and culture (and conversely, we cannot study those latter things properly without studying organizations). Of course to do so would require far more detailed analysis than I have provided here, but even so I hope that the rough contours of new capitalism and its problems are clear.

It's important to restate that the new capitalism did not represent a new epoch, and claims that it does are dangerous because they easily slide into the idea that it is something inevitable, a matter of the inexorable sweep of history rather than a determinate matter of the social and political choices we have made and are making. Rather, it is consistent with what relatively unregulated capitalism has always been. Indeed, what is beginning to be clear is that the period of social capitalism – that is, a regulated capitalism linked to welfarism – was particular to the four or five decades after the Great Depression and the Second World War. Nor are speculative booms new. Nor are populist and nationalist politics new, especially in the context of the bust that inevitably follows such booms. Nevertheless, the consequences of new capitalism for organizations have been real and in my view deleterious. The economy of signs and space identified by Lash and Urry (1994) entails 'deracination' – in other words, the destruction of roots. When there is little connection between places and communities on the one hand and production and consumption on the other, then the result is a certain kind of suffering (Bourdieu, 1999) and loss of social connection (Putnam, 2000). So, even when the new capitalism appeared to be working, there were many who questioned where it was leading us. It seems almost quaint to recall it now, but some of those concerns were about the damaging effects of affluence (e.g. Layard, 2005; James, 2007; Naish, 2008) and especially the pace of life (e.g. Honoré, 2004).

These remain important issues both because they remind us of the false promise of new capitalism and because they act as a counter to any idea that we should simply try to return to the days before the financial

and economic crisis. But in any case, all of these criticisms, important as they are, have now been overtaken by that crisis and its enduring aftermath, and any sufferings entailed by excessive affluence are now matched and exceeded by the real economic hardship and insecurity that have come in its wake. The scale of what is happening marks this out as being more than a fleeting economic downturn. Rather, 'assumptions that have prevailed since the 1980s embrace of the market lie in shreds'. Who said that? Some street-corner seller of the *Socialist Worker*? Well, no, it was Martin Wolf, Associate Editor of the *Financial Times* (Wolf, 2009).

This, at least potentially, opens up the space for articulating new possibilities. So too, at least potentially, does the way that the global pandemic has brought to light the inequalities and precarities of the way work is organized and rewarded. It is at least conceivable that, in the same way as happened in the aftermath of the Great Depression and the Second World War, the financial crisis and the pandemic may act as a spur to social democracy, as some of the early decisions of the Biden presidency in the US suggest. The even greater threat posed by the climate crisis may also transform the ways that we think about organization. Against that, there are powerful forces, both political and psychological, which will respond to all these events by seeking to get back to 'business as usual'.

The most important issue, therefore, is to re-pose the question of what the purpose of human collective (i.e. organizational) activity is and whether current social and economic arrangements can deliver it. This would be to open up the fundamental question of social philosophy: what is the good life and how is it to be achieved? We should not seek to answer this question in terms of a return to some previous golden age, the false promise of populist nostalgia. Not only is such time-travel impossible, it would also be undesirable: any supposed golden age inevitably, on closer examination, proves flawed. Nor should we answer this question in binary terms of capitalism or communism, and indeed few would now do so. It is quite possible to envisage systems that retain private property and market exchange – and are in this fundamental sense capitalist – but which are based upon local economies and work practices (e.g. the German Mittelstand) that are supportive of, rather than damaging to, human potentials and the environment (indeed to some extent this can be seen in the Scandinavian countries). Despite the stress in recent decades upon shareholder value and minimally regulated markets as unquestionably desirable, the historical truth is that capitalism has been at its most successful when regulated towards the consideration of wider concerns about social well-being and economic equality. If the new capitalism has indeed been

deleterious to that well-being – both in terms of production and consumption – as has been suggested in this chapter, then that begins to provoke the need for alternatives. There are better ways to organize than one which requires more and more work and more and more debt to consume more and more things when neither the work nor the things make us happy; and, connectedly, ever more impoverished and brutal conditions of work in order to produce those things.

The apologists for new capitalism – and despite all that has happened, they still amply exist – insist that those who oppose them are elitists. That is an interesting shift in itself, since 'old capitalism' would have been more likely to depict its opponents as greedy trade unionists or revolutionary communists. But with the new capitalism has come a populist politics that tries to enrol workers into a disdain for the 'liberal-left' and 'politically correct' establishment. However, my objection to these apologists is emancipatory rather than elitist: they are wedded to the inevitability of the future, no matter what the consequences are, whereas I think we have choices. That we have not, thus far, exercised those choices as wisely as we might need not mean that we are debarred from doing so in the future. We should not, we need not, and actually we cannot separate the study of organizations from these choices.

notes

1. It is in the nature of what is being described that some of these examples may now have changed ownership.
2. Flawed because, as regards jobs, it rests on the 'lump of labour' fallacy, i.e. the idea that there is a fixed pool of jobs so that if an immigrant has a job it can only be by denying that job to a non-immigrant. And as regards public services, at least in the UK, immigrants are net contributors.

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