

## Morten Reitmayer: The Concept of Social Fields and Productive Models

To talk about the firm as a social field: That means, first of all, to talk about an economic enterprise, or part of it, not only as a place for production and/or distribution of economic goods, but as an arena of disputes (and I am not talking simply about class-struggle!). Within this arena we find very different groups of people, or agents (to stress the idea of action), with very different objectives: Share-holders, lenders, rival sections within the management, blue collar and white collar workers, higher and lower qualified employees, experts from within and from without, suppliers and buyers, and so on. None of these groups simply serves only the purposes of any capitalist enterprise. At least in part this purpose is first and foremost the imagination of economists and economic historians. Instead, those groups of agents dispute about the enterprise's resources and profits. At the same time, however, the relationship between them is marked by the never ending attempts to find a compromise on the firm's strategy.

Certainly, nothing is for free. To talk about the firm as a social field enforces to break away with some well established assumptions and methods of analysis in economic and business history: From the market as a place for an exchange of goods without presuppositions between anonymous and best-informed maximizers of profit without any social existence; from the enterprise as bundle of contracts free of domination, reciprocal obligations and rights of disposal derived from them; from the entrepreneur as either a genius innovator (as with the Schumpeter reception) or exploiter of information; from the culture of an enterprise as an instrument of integration and manipulation without conflicts; and also from the conception that a company can freely chose its business strategy or its search for the "one best practice" or has at most to follow historical path dependencies.

Obviously, recent studies in business history, especially those interested in contemporary history, have left behind those assumptions and methods. Sadly enough, by executing this revision (which sure was necessary), the frame of action within the firm was lost. This frame is shaped by the firm's capability to be in stable existence, and it limits the groups' possibilities of action. Besides that, the firm's capability to be in stable existence depends on its capability to implement a coherent profit strategy, let's say, permanent reduction of costs at constant volume, and to embed this strategy among the mentioned groups in consensus.

Therefore, I think that the investigation of the connection between the firms' profit strategies and the acting of its employees is still one of the most important fields of research for business history.

That given, it might be useful to adapt certain sociological methods and concepts to analyze the relationship of conflict, consensus and competition among the above mentioned groups of agents, as well as the social organization of creating value within capitalist enterprises. I suggest to grasp Pierre Bourdieu's concept of social fields, as well as some framework derived from French political economists.

To start with Bourdieu, unfortunately the author died before he wrote the announced "general theory of social fields", so we have to combine his sentences from different works, especially those on the French grandes ecoles and their relationship to the world of business. A social field, in Bourdieus view, has a two-sided character: On the one side it is a structure, that is a system of durable relations, where every agent and every group is seated on a certain position. This position is determined by the agent's holdings of "capital", resources of power that become operative within that certain field (but not necessarily somewhere else!). Within the field of a capitalist enterprise, such resources could be shares, or more general property rights, bargain power, relevant information on products and methods of production, dependencies on lenders, suppliers and so on.

On the other side, a social field can be seen as an arena of disputes, a battlefield, where individual agents and/or groups compete for field-specific profits (that is, within an economic field economic profits, of within a cultural field cultural profits). Transferred into business history, that means to conceptualize the firm as a place where economic goods are yielded, based on the division of labour, to appropriate economic profits. This given, it is necessary to analyze all the above mentioned groups' assets, their motives and interests, their influence on decisions on the goods produced, the organization of production and the development of industrial relations, all this to trace back the agents' logic of action. The twofold outcome of such analysis should be first the possibility of systematic comparisons between different enterprises, and second a limitation of general theories about the nature of capitalist enterprises, in favour of a more historical understanding.

Neither Bourdieu nor one of his scholars did use this approach for the purposes of business history. There are studies on upper executives and managers, or about the Peugeot workers of Sochaux. But it really looks like Bourdieu was really repulsive to

study the logic of capitalist enterprises. So it might be useful to combine his methods with a second approach, deriving from post-Marxist economic sociology: The French regulation school, which raised questions about success criteria for corporate business organization and industrial relations. Regulation theory originated in the early seventies, when economic instability and inflation rose in France, and Keynesian modes of governance very obviously reached their limits, but without escalation of class struggle. Intellectuals and sociologists tried to bring Marxist economic theory up to date by focusing on the matter of economic institutions. During the second half of the 1990ies (I spare the boring interim) two leading figures of the regulation school, Robert Boyer and Michel Freyssenet, launched a group of international researchers to study the growth strategies of the global automobile industry. This group challenged the well-known MIT-study "The machine that changed the world" by Womack and others (though not Womack and Womack!<sup>1</sup>) and its central assumption of the existence of the "one best way" for every industrial sector. At that time Womack's proposition was that the whole international car producing industry had to follow what they thought to be the "Japanese way" of "lean production" by Honda and Toyota. Boyer and Freyssenet attack both the idea of a universal "one best way", as well as the assumption that Honda and Toyota produced cars in the same way. To demonstrate their own approach they developed an elaborate, though coherent and working model to mediate between the macro-level of a country's "national income distribution and growth system", and the micro-level of the individual firm.

Boyer and Freyssenet developed model around a bunch of single concepts, like "growth system", "national income distribution", "market structures", but also "sources of profit", "profit strategies", "governance-compromise" and "productive models" at the firm-level. In short, the central task for the firm's Management is to develop such a coherent "productive model", which has to balance the mentioned factors. Sure it is easier to explain this by negative examples. So, the "volume strategy" won't work within markets with consumers looking for distinction, for the car producer is only able to offer the same (cheap, of course) car in two different colours. Or, the "quality strategy" won't work with bad industrial relations and impatient capital, because discontented employees will not guarantee the product's high quality levels, and impatient capital will not wait for long time when product cycles for premium goods is about to range longer than the

short-term stock-market horizon.

I hope to demonstrate the capabilities of the combination of Bourdieu's concept of social fields and the productive models-approach by two little examples.

Volkswagen as well as Renault, two major European car producers, experienced far-reaching changes of their productive models during the 1970ies and 80ies. Volkswagen, once a "fordist" organized one-type volume producer, changed to "Sloanist" organized volume and diversity-producer. This transition happened in the wake of a serious crisis in 1974/75, when the "Beatle" (the "one type") obviously was outdated technically and by design. But the transition was only successful because the Volkswagen-management could negotiate a new governance-compromise with capital and labour, because the production of the new models "Golf", "Polo" and "Passat" (along with the new Audi-cars) required serious changes with regard to the organization of production as well as to the industrial relations. The proportion of automatized processes in the body work was to be reduced and the flexibility of tools had to be increased. Both changed repercussions to the workforce, because Volkswagen was "overstaffed" and the workers feared the lowering of the wage level. Nevertheless, the worker's council was able to negotiate a consensual solution (partly because Volkswagen did not belong to the employers' federation and could arrange so called "Haustarifverträge"). Indeed, this was only possible because the supervisory board, where the trade union and the federal state Niedersachsen were strongly represented, dismissed the CEO Kurt Lotz and replaced him by the more accommodating Toni Schmücker, once worker's director in a co-determined steel producer. The solution was a twofold measure, when management gave up dismissals ("betriebsbedingte Kündigungen") on the one side, and a new system of payment which introduced wage-committees and reduced income uncertainties. The employers' federation immediately attacked the agreement.

The reduction of the workforce took place in consensus, with compensations, early retirement, and the non-prolongation of temporary contracts (the victims here were mostly migrants). By this, about 30.000 workers left Volkswagen. Industrial relations, governance structure and the trust between the new CEO and the workers' chief representative enabled Volkswagen to transform its productive model successfully. The consensual agreement predetermined Volkswagens solution for the next crisis, 20 years later, when VW was overstaffed again with some 30.000

employees. The new agreement included suppliers, a group very often neglected in conventional business history. Professor Ulrich Jürgens has shown in detail, that the successful break through was not caused by any "free" choice by the VW management, but that the answers are to be found within the entire field of forces that constitute the firm. Again, it was the combination of German codetermination, and the unique governance structure of Volkswagen, that defined this field. The federal state Niedersachsen, lacking a broad industrial foundation, was interested in the preservation of as much workplaces as possible and therefore reluctant to Thatcherite solutions. The 1994-compromise entailed the reduction of working hours (28,8 per week), and the "5000 times 5000" model, which was explicitly introduced to keep unemployment low in Wolfsburg. The work councils were able to carry through early retirements for more than 50.000 old workers, who were replaced by 26.000 young people after their apprenticeship. Furthermore, so called "Standort-Symposien" were established, bringing together directors, the work council and representatives of the non-Wolfsburg factories. In the end, Volkswagen was denounced as a "socialist enterprise" by the Wall Street Journal. Two points are to be remembered. First, German codetermination *extended* the possibilities of the Volkswagen management for a successful transition of its productive model. Second, financial markets played no role within this arena. They criticized not only the Volkswagen strategy, but its governance structure as such. The so called VW law of 1960, the state as a shareholder, and codetermination - all this protected the firm from hostile takeovers and lessened stock price fantasies.

Also Renault changed its strategy during the 1970ies. However, Renault never was a simple volume producer like VW, because as early as during the 1960ies Renault entered the productive model "diversified mass production". Renault's most urgent problem was what was called "the crisis of work". At that time the term meant not the lack of workplaces, but the escalation of conflicts between capital and labour, regarding wages, terms of work, and modes of participation. During the 1970ies these conflicts escalated into a serious crisis of the firm's governance compromise. One pillar of Renault's success had been the 1955 agreement with the trade unions, namely the CGT, which stabilized industrial relations for 20 years, including the abandonment of strikes and lockouts, and the linkage of wages to the living costs, that means, to inflation. Unions were strong at Renault's, but without reliable trust between them and the management. When assembly line production grew during

the 1960ies, the proportion of unskilled workers, among them many migrants, increased simultaneously. This was due to political intents, and Renault was state-owned. Workers' contentment decreased, because of their declining autonomy at the workplace. At the same time profitability dropped, above all due to rising wages and depreciation. Conflicts escalated because the CGT faced left wing rivals like the gauche proletarienne, so that disputes on wages and terms of work were layered by efforts to carry class war into the firms, especially into Renault as state owned. As a consequence between 1968 and 1973 there was no year without severe industrial disputes. The usual solution was to increase wages instead of changes of the organization of work, which was the main cause for disputes. Trade unions demanded "equal pay" and pressed for one quarter of unskilled works to be promoted into the highest category of pay.

Renault succeeded in selling attractive cars (most of all the R4 and the R5), but costs got out of control. Workers demanded classification "skilled worker" for every employee. In 1977 the CEO Bernard Vernier-Paillez was detained by workers at Billancourt, and the CGT chairman was dismissed. Renault's governance compromise was smashed in pieces.

This crisis gave way for a transition of Renault's profit strategy and tis productive model. "Diversified mass production" was abandoned because of high costs and low governance capacities. Negotiations with the CGT were terminated, holdings were sold and organizational structures were centralized to strengthen governance capacities. Volumes decreased to cut costs, and workers were fired to a large extent. Renault produced "cars for living", but generated no longer jobs for a whole life. There were no negotiations with unions on job losses, and police cleared the plants from strikers and occupants. Socialist government choose to support the management. In 1987 Renault returned to profits. About 1990 the new productive model was clearly visible: New and innovative cars like the Clio, the Espace and the R19 successfully created different segments in the automobile markets, and flexible work laid ground for improved industrial relations. In 1989 the Renault management found an agreement with some unions, but not with the CGT. "Innovation and flexibility" brought stable profits, and in 1995 Renault was privatized.

The different trajectories of Volkswagen and Renault show similarities and differences as well. Both were at least partly state owned, and management had to

face powerful trade unions. Both had to change their productive model due to a state of serious crisis. On the other hand, Renault changed its strategy in conflict to trade unions, what is more is, management tried successfully to break the union's power. Comparison shows the range and the limits to managements "freedom of action" and the embeddedness of the firms' strategies in the wider context (or field). Formalized categories can support such comparisons. The concept of social fields and productive models might be a signpost for such an endeavor.

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<sup>1</sup> Teardrops in my eyes.