

Agency, Interests and the Production and  
Reproduction of Organisational Structures

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**Abstract**

This paper takes issue with orthodox views of the origin of and explanation for organisational structures, and proposes that they may be accounted for differently. It is argued that the legacy of functionalist theory is still strong, and it has a far from vestigial presence in such respected contemporary approaches to organisations as archetype theory. Against this traditional emphasis in theories of structures, it is argued that it is difficult to show that structure is more than minimally related to function. On the other hand, organisational structures are structures of authority and it can be shown that specific structural changes benefit some groups within organisations more than others. Structures can be seen to embody and express the power and resources of the different groups within an organisation. Taking as illustrative examples recent change within very large British engineering companies and the organisations of the solicitor branch of the legal profession in England and Wales, it is argued that the changes observed can be related to shifts in the balance of power within these organisations in straightforward ways.

## Introduction

The traditional approach to organisational structure suggests that it is related to function: structure allows an organisation to perform effectively in a given context. Accordingly, change in organisational structures occurs when, following environmental developments, existing structural configurations become obsolete and a more efficient organisational structure is needed for the new context. In this sort of view, set out in a valuable way by Miller and Friesen (1984), organisational change is largely dictated by functional considerations; a better and more efficient way of organising and executing activities is discovered, and since organisations are committed to improving efficiency, a new structure is implemented.

An influential and in some ways persuasive theoretical account of organisational change, which is nonetheless still firmly rooted in functional propositions, is the archetype theory, proposed and developed by Greenwood and Hinings (Greenwood and Hinings, 1988, 1993). This now has a considerable following in the US and around the world especially as applied to professional organisations (Brock et al 1999). One obvious merit of archetype theory is that it offers an account of the mechanisms by which organisations supposedly change, something that orthodox contingency theory failed to do. It does this by suggesting that the agency of actors is implicated in organisational change but it does so by using the idea of collective ideas. The basic concept for this school, of course is the organisational archetype. But the idea of organisational archetype is underpinned and made possible by the shared 'interpretive scheme'. Thus, the archetype is '*a set of structures and systems that consistently embodies a single interpretative scheme*' (Greenwood and Hinings 1993:1055). The interpretative scheme reflects the organisation's underlying values, aspirations, expectations, beliefs and it therefore provides '*prevailing conceptions of what an organisation should be doing, of how it should be doing it and on how it should be judged*' (Greenwood and Hinings 1988:295). Hence, the concept of 'archetype' links organisational structures and processes with specific underlying values, beliefs and preferences in the organisation.

Given this, it is an obvious virtue of archetype theory that it involves a serious attempt to specify a place for the agency of actors in the formation, reproduction and change of organizations, and to amend orthodox theory in

ways that accommodates this feature more effectively. Classical contingency theory suggests that organizations adjust to their environment automatically, so implying that any action that managers (or, for that matter, other groups) may take to alter an organizational structure is ineffective if it does not conduce to a better fit with external requirements. Archetype theory, by contrast, specifies the processes by which attitudinal adjustments play a part in producing organizational change; and it clearly suggests that unless participants in organizations take action in relation to their ideas about organisational forms, organisations themselves will not change and develop. It has the apparent merit, therefore, that it recognizes and finds a role for differences of outlook and priority between different groups; and so it accommodates, to some extent, the possibility of conflict between factions and allocates such conflict a place in organizational change. Indeed, the archetype approach is worthy of serious attention because it attempts to deal with these absences in orthodox functionalist accounts of organisations, and did so long before they were generally accepted to be the theoretical problems they are today (Kondra and Hinings, 1998; Beckert, 1999; Archer, 2000).

But for all its consideration of the agency of groups, archetype theory retains a residual but far from insignificant theoretical commitment to a basically functionalist explanation of organisational structures. Although archetype theory does recognize that conflict in organizations may exist, it is thought of as necessary only in so far as it is part of the mechanism by which organizations are brought into a better alignment with their environments. There is in this approach to organizations a considerable preference for coherency and stability in organizational forms. As has been noted elsewhere, archetype theory "invites one to treat organizations as though they have, or should have, a strong internal unity" (Morgan and Sturdy, 2000: 5-6). While the possibility of hybrid forms is acknowledged (Greenwood and Hinings, 1988), these are viewed as unstable, transitory and likely to succumb to pulls towards greater internal coherence.

As such, there is no recognition in archetype theory of the possibility that because of enduring differences in outlook and policy between groups, internal conflict is a 'in built' or normal feature of organizations (Buchanan and Badham, 1999; Ackroyd and Thompson, 1999). On the contrary, for archetype writers, in much the same way as in classic contingency theory, priority is allocated to organisational needs as a whole in the explanation of

change. Activities that do not conduce to the emergence of a new archetype do not automatically lead to the adoption of effective new archetype but may temporarily condemn the organization to a condition 'schizoid incoherence'. It is recognised that such a condition of the organisation may be prolonged, but is judged to be dysfunctional for organizational performance and effectiveness. Organisations between archetypes are seen, in the long run, as dysfunctional because their instability 'detracts from organisational performance creating stresses and strains resolved only by coherence' (Hinings and Greenwood 1988 :34). Since 'economic benefits flow from coherence' (Greenwood and Hinings, 1993: 1056), internal stability will eventually drive organisations to adopt a consistent, a uniform and fully functional configuration. Indeed, in this view, because of the importance of functional adaptation of organizations to their environments, the emergence of an appropriate coherent archetype must occur if the organization is to survive. Therefore, while there is some attempt to analyse processes of interaction within organisational fields (especially in later versions of the approach), these are seen as being important only in so far as they facilitate movement between archetypes that are judged to be 'functional' in new contexts. Ultimately the main concern of this approach is to elaborate and analyse change in terms of "universal contingency relationships" (Dent et al 2001: 2).

Although proposed and developed primarily for the explanation of change in professional organisations, we will argue that it does not work very well even within organisations of the professions. In this paper we will consider two examples of organisational change based on our own research findings: first we shall consider what has happened in the reconstruction of major manufacturing corporations in Britain in the last dozen years and second we shall consider change in the organisation of legal practices in England and Wales over the same period. It will be argued that neither example fits very well with the ideas proposed by archetype theorists, and that an alternative theory based giving more prominence to the agency of key groups of actors in bringing about structural change as a by product of the pursuit of their own advantage, is required.

### *Agency and Interests: The Production and Reproduction of Structures*

Two key ideas of the archetype approach, that there is (a) a coherent design archetype to be found among organisations of a similar type and (b) this is underpinned and made possible by the existence of a consensual interpretive scheme are both untenable for many examples of organisations we have examined in Britain in recent years. For major corporations, of course, with thousands of employees dispersed across the world, it is obviously questionable whether many share beliefs about the principles of the design of the organisation. It is highly doubtful whether any but a small handful of corporate managers have views about the organisation that might affect the shape it takes as a whole. While corporations do encourage the interest of employees in the organisation for which they work, it is usually restricted to rhetorical devices such as mission statements, and does not include serious discussion of ideas concerning corporate strategy or extend to consideration of the principles of organisational design. For large corporations, ideas about corporate design are effectively restricted to corporate elites, and, even there, we argue, such groups are riven by factionalism and disagreement. We shall also argue that something very similar is true for professional organisations. Although there is more in the way of shared values in such organisations, our evidence shows that change in the organisation of the legal profession can be considered in a very similar way to the analysis of change in major corporations.

We begin by arguing that conflict and contention is much more prevalent in organisations than functionalist analysis, in which group we include archetype theory, suggests. Indeed, we wish to make the actions and intentions of particular groups, and the way in which their outlook often sets them against the interests and intentions of other groups, central to the consideration of the cases we present. For us a useful starting point is insights of the strand of social theory which deals with the relationship between agency and structure, developed in the last twenty years (See, for example, Archer, 1995, 2000; Giddens, 1984). The work of the social theorist, Margaret Archer, in particular contains a persuasive account of the relationship between agents and structures that is especially valuable. Archer elaborates what she calls ‘morphogenic theory’, which proposes the

production and reproduction of structures by the activity of agents. However, she sees this as part of a reciprocal relationship between the agency of individuals and groups and broader social structures in which they are implicated. She argues that agency produces structures and these, in turn, provide the context and conditions for further action (Archer, 1995; 247 – 293; cf Giddens 1984; Ackroyd and Fleetwood, 2000; Ackroyd, 2002).

For Archer the agency / structure relationship is essentially dualistic, in the sense that structure is not reducible to agency, nor is structure the aggregate of the action of all agents, but an emergent property that has its own characteristics and is resistant to change. Structures are the emergent property of action but, because structures provide the context for further action, existing structures are formative of the activity of groups and circumscribe their activities. With this approach to structure, the relative resources and powers of groups is the indispensable key to understanding change. Some groups are much better placed to take action, particularly if they feel threatened or see opportunities and are willing to induce change. In this connection, Archer distinguishes between what she identifies as ‘corporate’ and ‘primary’ agents. Primary agents are called such because they only have the basic capacity to reproduce the conditions in which they exist. By contrast, it is possible to distinguish corporate agents who can influence the conditions of interaction and more effectively shape structures. Corporate agents may either maintain the status quo or, by utilising their control of key resources, overcome the resistance of others, so changing structures. With these assumptions, this approach offers a quite different account of the nature and origin of organizational forms from functionalism. It is one that suggests that agency is always central and not only when it is conducive to positive adjustment to the environment.

From this theoretical viewpoint, the structure of an organization is what emerges from the ongoing relationships between the people in the organization. This is true even though many people may be what Archer calls primary agents, having the capacity only to renew their participation, and so, with others similarly placed, they merely contribute to the reproduction of the institution in which they participate in roughly the same form. A main point to make is that the different categories of employee have different powers and resources (not to mention different conceptions of their interests) and, as a result, the relationships in the organization



reflect the continuing subordination of some groups, compromises between groups of more weight of expertise or other resources, and the secure hegemony of power only amongst organisational elites. In sum, structures express the relative powers between groups that command particular resources. However, although structures do not necessarily change in a straightforward way as the balance of power shifts between groups – for example, as implied in resource dependency theory (Pfeffer and Salancik, 1978) – they often do. In both the cases we shall consider here, this is case. From this viewpoint, an organizational structure is functional only to some unspecified extent<sup>1</sup>. We only know for sure that a given structure is effective enough for the organization to survive in the prevailing economic and social conditions, given the accounting and control procedures applied in that context.

The way that boards of companies and senior managers, or senior professionals in the case of legal firms, choose to exercise their power depends on their situation and how they perceive it. They are often not so limitless in power that there are no constraints on their activities. When it comes to important decisions, senior managers are still dependent on their boards of directors, particularly to gain access to finance for the activities they decide to undertake. However, business executives in control of the largest companies, or the senior partners who own and control legal firms, have the power to decide the forms of their businesses, and any changes they see to be necessary to make, they can make. They do this by employing more staff, for example, or changing the job specifications of existing employees. Of course, any changes they bring about may not be entirely determined by what they expect or desire. This is because they have to deal with other groups to realise their objectives, and although they can compel junior managers and other employees to make the necessary changes in their working practices and relationships, other groups must, at some level, go along with, conform to and/or act to support the consequences of such decisions, for there to be effective organisational change. From the compromises made with the exercise of executive power, new organizational structures emerge.

The capacity for action alone does not explain why organizations have the structural features they exhibit or why there are usually similar or characteristic outcomes to the negotiations between the groups in organisations, resulting in distinctive patterns of organizational structures.

That the parties to an organization have different powers and interests might lead us to think that organizations from time to time simply disintegrate, as a result of internal conflicts. But such events are in fact remarkably infrequent if not unknown. Organizations can be disbanded, and, indeed, frequently are, as when, for example, businesses are liquidated. But they do not spontaneously disintegrate, as marriages and families may do. To consider why not is instructive. The major reason why organizations do not disintegrate is the existence of power and authority (Pfeffer, 1981, 1992; Clegg, 1989). The ability of managers to decide who is employed and then who gets what in terms of wages and conditions, is the most obvious source of power held by this group. In some aspects organizations are obviously coercive and indeed this is an important point about them<sup>2</sup>.

In this morphogenic approach to organisations, the idea that the environment has an effect on organizations is not completely abandoned. However the organisation / environment relationship is thought about in ways that are different from the conceptions of the functional writers. Most importantly, in this account, what is outside an organization may have the capacity to affect it; if it owns or controls access to resources that the organization needs in order to continue in business, for example. Organizations need raw materials, components, machinery, labour and capital for investment, these they have to secure from the outside. To the extent that they are dependent on these resources they are susceptible to influence (Pfeffer and Salancik, 1978). Hence, there are undoubtedly institutions surrounding organizations that induce conformity in them. For example, the dependency of small businesses on banks in the UK has affected them greatly. Similarly, it makes a great deal of difference what a manager can do if he / she is the proprietor of an independent company or, alternatively, managing a business unit belonging to a major company. These external features are significant because they constrain managers to act in particular ways. Finally, of course, there are situations in which organizations are not so much affected by their environment as affect it. Organisations, particularly large ones have the capacity to act on their environment, by various expedients. They can affect the market for their products by advertising and other forms of promotion; they can also obtain political sponsorship and lobby for the relief of taxes. A common form of organisational enactment today is for organisations to enter informal

alliances and establish networks of relationships that insulate them from both political and market forces.

In this paper we argue and illustrate the thesis that traditional organisational forms are being changed sometimes in fundamental ways. They are being changed for a number of reasons. One reason for this is that technical innovation has placed a new resource in the hands of the managers. New technology has made it possible for new forms of organization to emerge which are very large and dispersed and yet need fewer people to function. Among other things this has produced an intensification of competition in the home markets of large firms in the developed world, which, in turn, has redoubled the impulse of large businesses to seek to become significant players in a wider terrain. There has been a surprising level of complicity by national governments - especially the British government - in this kind of development, and the consequence has been that it has been relatively easy for businesses to move into multi-national activities. One of the many results of these changes has been a massive impact on traditional labour markets and the weakening of the position of labour in relation to capital.

We shall now consider some examples of recent change, and argue it has occurred because it has been undertaken by some identifiable group of people acting in particular ways, largely in pursuit of their own interests. In the two cases we shall now discuss - the change in the largest British engineering companies (broadly defined) on the one hand and the largest (English and Welsh) solicitor firms on the other, identifiable groups have initiated change, and the results of change have been to their own considerable benefit. This does not mean of course that there are no other beneficiaries of these changes, that, to use the language of game theory, we are not invoking a zero sum view of the outcome of change. However, in both these cases the outcome is more to the benefit of the parties initiating change, than it is to the others who may benefit (shareholders in the case of the engineering companies and junior solicitors in the case of the legal firms). In addition, however, the extent to which other employees and the community at large benefit from the changes undertaken is more difficult to ascertain. The focus on self-interest and agency represents a clear departure from the functionalist assumptions which underpin archetype theory and which influentially seek to explain processes of professional re-organization with reference to the identification and migration towards a more effective and functional organizational design.

## **Change in Major British Engineering Corporations**

The decade 1990 to 2000 was, in many respects, an extraordinary one in terms of the change in key areas of the British economy. Change has been particularly noticed in information technology firms and those associated with the 'new economy', but organisational restructuring has been widespread in many sectors including traditional manufacturing, which will be considered here. For this sector of the economy, the nineteen eighties was a period of deep recession and crisis, in which the response of many manufacturing corporations, especially smaller firms, was simply to file for bankruptcy or, by other routes, to withdraw from their traditional activities. The loss of manufacturing capacity and especially employment was considerable (Williams, Williams and Haslam, 1990; Ackroyd and Whitaker, 1990). Major corporations reduced the scale of their exposure in unprofitable markets, but otherwise rode out the storm, embarking on more systematic rationalisation of their activities in the nineteen nineties. In the nineties, despite some hesitancy in many of the indicators of economic growth especially early in the decade, the deep recession experienced in the eighties did not recur. Stock market prices continued their upward trajectory until the end of the decade. The stock prices of major manufacturing companies, especially for companies felt to be associated with the leading sectors the economy, such as telecommunications, participated fully in the sustained growth of market values.

The question arises: to what extent does any identifiable practices undertaken by specific groups of people underlie organisational change and associated more general economic developments? In other words, to what extent did managerial changes in the structure of corporations simply produce effective and necessary reorganisation by corporations to meet new economic challenges. It is true that extensive reorganisation was undertaken, but the degree to which these were expected to be, and indeed could be, effective long term responses to new competitive pressures in traditional markets is at best unclear. The main activities undertaken by major British corporations in the manufacturing area seem to be, inter alia, the reduction of the role of the corporate headquarters to defining the limits of the company's core activities, the reduction of the size and range of activities undertaken to a limited range defined as 'core', the divestment of

productive capacity now deemed to be peripheral and the distribution of much of the realised value of this kind of reorganisation to shareholders (as opposed to reinvestment). It is also true that the remuneration of senior managers, through the practice of payment by stock options as well as salary, greatly increased in this period. These activities led to the creation of considerably smaller organisations, or using the jargon of the time, of ‘focussed corporations’.

There seems to have been nothing to compare directly from this country with the spectacular and in many ways obviously self-interested activities observed in the reorganisation of some American companies in recent times. Consider the example of Scott Paper, which was massively and precipitately reorganised by its CEO Al “Chainsaw” Dunlap, who, in little more than 20 months, devastated the 115-year old company to his immense personal gain (Lazonick 2004). Dunlap initiated a downsizing programme at Scott Paper which destroyed 11,000 jobs, that is roughly 35 percent of the total labour force. Cuts involved all types of personnel, including: 71 percent of the staff at corporate headquarters, 50 percent of managers, and 20 percent of production workers. Headquarters were moved from Philadelphia to Boca Raton, Florida, and, and finally the company was sold to its long-time rival, Kimberley Clark. In the process, Al Dunlap as well as overseeing the company’s deconstruction, had substantially enriched himself, reaping personal rewards (in the shape of stock options as well as salary and bonuses) of over \$100 million. However, it is worth asking the question of the balance of motivation between the need to reorganise and the need to reward executives and shareholders. As we shall see certain features of these drastic changes were reproduced in the UK.

Table 1, comprises a list of 15 largest British engineering companies involved in capital goods durable and related manufacturing in 1990 and 2000. The sample for 1990 included all such (non-retail) manufacturers with more than £1 Billion turnover. This produced a sample of 15 firms. To simplify the analysis, the fifteen largest companies were selected for a comparable sample in 2000. Between 1990 and 2000, there was considerable shuffling of the ownership portfolios of these firms, so many in fact that it would take much time just to list the acquisitions and disposals. However, many of the assets belonging to firms in the 1990 sample are present in the equity of the firms listed in 2000. True, three of the 1990 firms were sold into foreign ownership in the course of the decade

(BICC, Racall, Lucas)<sup>3</sup>. On the other hand, many of the other assets belonging to firms in the list of 1990 have been redistributed amongst the firms of 2000. For example, Hawker became part of B.Ae., whilst the many of the assets of GEC are distributed between B.Ae and Marconi in 2000. Finally, the firm Invensys was the result of a merger between BTR and Siebe in 1996. What we can be sure of, however, is that in terms of the underlying assets, the real estate and plant and machinery available to these firms are considerably less than were in their ownership in 1990, as many of these firms had undertaken drastic rationalisation and refocusing in the intervening period.

At the same time as undertaking rationalisation and focussing, as this table shows, traditional British Firms, over the decade, cut employment in aggregate by more than 30 %, which is a similar figure to that achieved by Dunlap in less than two years at Scott Paper in the USA. The impact on traditional employment patterns of these changes is, however, much larger in these British examples than might at first appear. Part of the reason here is that, at the end of the decade, a far higher proportion of the manufacturing capacity and employment of these firms was abroad rather than retained in the UK (Ackroyd, 2002: 154). By the end of the decade more than 80% of employment by some of the firms in this sample was based abroad. This trend would have been much more marked had it not been for the fact that firms with a significant involvement in defence contracting cannot export jobs because of the security and policy implications of doing so. Clearly, it is not part of the argument of this paper to suggest that there were not strategic motivation behind the policies of reorganisation undertaken by companies. The aim of reorganisation was obviously not simply to dispense with high cost domestic labour for the sake of it. The aim was usually to retain advantages of market leadership in those areas a company decided constituted its core activities. It is a central feature of the strategy of focussing for firms to retain the most highly profitable of their activities and to maximise the sales of these items in all the mature markets of the developed world. Replicating their activities in many markets meant increasing employment abroad and exporting capital. Hence, this sort of policy is no doubt one of the reasons why Britain consistently exported more capital than any other developed economy in the last twenty years (Hirst and Thompson, 1999).

Table 1.

1990				2000			
Company	T/over £Bn at	MKt Cap	Employ	Company	T/over £Bn at	MKt Cap	Employ
	1995 Prices	£ Bn at 1995	0.000		1995 Prices	£ Bn at 1995	0.000
B.Ae.	6.665	1.602	133.000	Invensys	8.243	10.746	130.000
GEC	6.563	7.986	157.000	B.Ae.	6.587	10.516	46.500
BTR	6.469	7.987	98.000	Tomkins	4.680	1.721	67.500
Thorn EMI	3.890	2.489	65.500	Rolls R	3.937	3.074	42.000
BICC	3.206	1.535	45.000	Marconi	3.318	24.488	37.000
GKN	2.349	1.193	37.000	GKN	2.602	6.051	35.500
Rolls R	2.332	1.812	40.500	Pilkingto n	2.365	0.812	32.500
Hawker S	2.208	1.661	43.000	Williams	1.868	2.159	43.000
Lucas Ind	2.167	1.292	37.000	TI Group	1.838	2.072	31.000
Racall	1.615	3.296	31.000	Cookson	1.474	1.223	15.500
Cookson	1.364	1.446	14.500	IMI	1.273	0.877	18.000
Siebe	1.248	1.161	28.000	Smiths I	1.158	2.486	14.500
T&N	1.239	0.694	23.000	BBA	1.060	1.958	12.500
TI Group	1.132	0.784	22.000	FKI	1.048	1.223	15.000
FKI	1.069	0.896	20.000	Bowthorp e	0.525	1.975	8.500
	43.515	35.832	794.500		41.976	71.381	549.000

The activities of the large British manufacturing companies in the above sample have been fundamentally transformed in the last two decades. There is not space to do more than illustrate, through the brief consideration of examples, the extent and character of much of this change. In general manufacturing, the case of the firm Invensys, which was formed from the merger of the traditional (but relative high tech) engineering firm, Siebe, and its more opportunistic and diversified counterpart, BTR is instructive. Although cast as a merger between two similar firms, BTR was the larger firm, but was widely regarded at the weaker partner. BTR was judged not

to have moved sufficiently far and fast from being a poorly performing and unwieldy conglomerate it had become in the nineteen eighties. As such, BTR, it was thought, could learn effective niche marketing from Siebe. Whatever the truth of this, the resulting very large firm of Invensys, had numerous areas in which activities were substantially duplicated, and many more that could be sold off for their asset value, having been identified as not part of the core business which was increasingly focussed on 'sophisticated control systems'. Despite the fact that Invensys was the product of a marriage between two ailing firms, both desperately in need of high levels of reinvestment, the firm continued to remain profitable by bouts of divestment in which corporate assets were simply sold. Episodes of focussing produced a stream of surpluses that could be distributed to shareholders and managers. In this way, Invensys not only survived, but participated in the long bull market which only ended after the turn of the century.

Other examples of spectacular, and, in their way, less expected apparent success, occurred amongst the telecoms manufacturers. One of these firms in our 2000 sample was Bowthorpe (in 2001 to be renamed as 'Spirent'). This firm also began to reorganise itself in a spectacular way in the second half of the 1990's. The main thrust of the new strategy here also was dispense with many of the firm's traditional areas of involvement that were not making high profits in order to focus on highly profitable areas in telecommunications manufacturing. The corporate strategy of Bowthorpe came to be focussed on the manufacture of key components in telecoms, in which the firm was realising very returns on capital employed. Another example of an even more spectacular policy of focussing in telecoms is, of course, Marconi. Created from elements of the huge but very conservative manufacturing firm, GEC, Marconi divested itself of many of its traditional areas of manufacture, including its highly lucrative defence-contracting arm (which was later sold to B.Ae.). In the year 2000, Marconi was widely regarded as a highly successful manufacturing giant, as is reflected in its huge market capitalisation included in table 1. Like Bowthorpe, Marconi was also in the process of becoming a highly focussed telecommunications firm. It was very unfortunate, to say the least, that the markets on which Marconi had chosen to focus, collapsed dramatically in 2001, following the bursting of the dot com bubble.



Today, of course, four and half years on from 2000, the second data collection point for Fig 1, and three years since the collapse of the stock market values in 2001, the capitalisation of many of the firms listed remain a tiny fraction of their 2000 values. Those firms still in the FTSE 100, and whose values have retained or recovered most of their 2000 levels, are those that have participated least in the policies of focussing and divestment. But how are we to understand this extraordinary episode and to evaluate its consequences in social and organisational terms? It should be clear that these changes were made possible only because corporate executives too took it upon themselves to initiate change, using the ideological counters of the need for increased shareholder value, to legitimate their activities. Without the exercise of agency on the part of the elite of managers, in which self-interest is of course a key component, such considerable changes as there have been in corporate structures would not have been possible.

At this point we will draw on some of the ideas of William Lazonick (Lazonick and O'Sullivan, 2000; Lazonick, 2004) to develop our understanding of the processes behind corporate change. Lazonick identifies a fundamental change in corporate policies as being a key to understanding comparable changes in corporate America in the 1990's. In this period, what Lazonick calls the characteristic "allocative regime" of many of the largest US corporations underwent a change. From being primarily concerned to retain profits from their activities and to reinvest them in known technology while simply developing the associated management structures (what Lazonick calls the "retain and reinvest" allocative regime), corporate executives shifted to a strategy of downsizing their organizations and distributing the realised value (what Lazonick calls the "downsize and distribute" allocative regime). In the jargon of the time, 'leaner and fitter' (but much smaller) corporations were created. These corporations nonetheless had superior profitability whilst continuing to have extraordinary influence (in virtue of their pivotal importance in production processes and their control of affiliated companies) in the economy. Lazonick specifically identifies corporate executives as the prime movers in these changes and points to their use of the ideology of shareholder value as the legitimation of their activities. Executives have reduced and reorganized corporate assets and, in the process they have also greatly enriched themselves.

There is a considerable similarity in the account Lazonick offers of change in corporate America and changes that can be observed to have occurred in the UK. Here too there is substantial evidence for fundamental changes in allocative regimes of major companies similar to those identified by Lazonick in the US. For the US, and for the UK, it is possible to think in terms of the balance of power having swung decisively in the last two decades in favour of capital in corporate America. His findings in this respect echo the conclusion of Kunda and Aiolon-Souday that: ‘the new corporate division is between top executives and everyone else’ (2004). There is precious little scope here for the view that change is the result of agreement negotiated between contending parties as archetype theory proposes.

### **Change in English Legal Practices**

But perhaps it can be argued that archetype theory was never intended to work in the heartland of the capitalist economy, and that it was created for the consideration of change in professional services. In this section, then, we turn to consider our research into the legal profession and argue that the policies adopted can be analysed in very similar ways to those applied to manufacturing corporations. Here there is also evidence of considerable structural change. However, in contrast to the changes in corporations, in legal firms, processes of consolidation have been taking place. Rather than downsizing, many solicitor firms in England and Wales have increased dramatically in size in the decade 1990 to 2000. Historically, of course, law firms have been predominately very small, with sole practitioners and small family-based partnerships being the modal organisational type. In the last ten years, however, processes of growth, which have been modest hitherto, have begun to accelerate. Today, as Table 2 suggests, the profession is increasingly organised into large productive units which are, incidentally, highly profitable. Table 2 shows that more than a third of solicitors in England and Wales now work in large solicitor firms, and those employed in medium to large organisations is approaching half of the profession. Our data suggests that despite the fact that large and very large legal partnerships represent a mere 1% of this type of organization, they account for 36% of solicitors but not less than 50% of revenues.

**Table 2:** Solicitors in Legal Firms of Different Sizes, 1989 – 2000

	1989 1990		1994 1995		1999 2000	
		%		%		%
11 -25 Partners	7509	16	7899	15	9457	15
26+ Partners	10538	28	14675	29	23100	35

Unless otherwise indicated, data are drawn from the Law Society’s Regis Database, and annually published in *Trends in The Legal Profession: Annual Statistical Report*, by the Law Society Strategic Research Unit.

Much of this is against the expectation of knowledgeable observers. This is because the numbers of qualified solicitors have greatly increased in recent decades, and the legal profession has lost its traditional ability to control key elements of the training process. Theorists of the professions identify the ability to limit the supply of trained recruits as a key aspect of professional ‘closure’. By this concept they refer particularly to the capacity of professions to mitigate the effects of labour markets, and so we may define this ability specifically as the maintenance of *external* closure (Parkin, 1971; Collins, 1990). Clearly, other things equal, the loss of external closure is likely to drive down the price of professional services. However, as we have seen, the decade of the nineteen nineties was largely prosperous economically, and, in addition the widespread organisational changes occurring in the economy, in response to widespread corporate transformation, the decade provided a buoyant demand particularly for all business services, including, especially, business consultancy and commercial law. Hence, we argue that a new organisational solution to the problem of the potential loss of earnings by the legal profession was found in the emergence of the specialist and large-scale law firm, which began to employ employs large numbers of lawyers.

As we will further argue, a solution to the problem of the sustaining the earnings and status of the elite of the legal profession was also achieved in the process of organisational change in legal firms. This was achieved through the development of what can be identified as an enforced *internal* closure regime. In this, the organisation of legal firms has been re-engineered to the benefit of senior partners, and a particular feature of this has been the increased utilisation of salaried solicitors as opposed to equity partners who are in effect the owners of legal firms.

Against expectation, then, the growth in solicitor numbers in recent decades was absorbed, but not without the considerable internal reorganisation of solicitor firms, in which internal differentiation accompanied growth in size. Archetype theorists have long been predicting that traditional forms of professional organisation will give way to more commercially aware and effectively managed types of organisation (Greenwood and Hinings, 1988, Greenwood et al, 1990). They argue that professional groups will play an important entrepreneurial role in these changes, utilising and promoting ideas about management that will be functional for their organizations (Brock et al., 1999). As we have suggested, these theorists argue that new organisational types emerge from ideas about organization forged by negotiation and dialogue between groups within and around the organization. Now while it may be that managerial restructuring is being used, here as elsewhere, as an accompaniment to reorganisation (Crompton, 1990; Hanlon, 1997), our data suggests that the idea that change emerged out of dialogue and agreement is particularly misplaced. We argue, by contrast, that change is best viewed as involving senior solicitors taking the opportunity to change their utilisation of different categories of staff and to acquire increased economic rewards in the process.

Of the many interesting things associated with these changes, is that although it is certain that many solicitor firms are adopting more managerial techniques and processes, there is no indication that such changes extend to the loss of control of solicitors firms by senior solicitors. Solicitor firms have become increasingly hierarchical, but they are primarily hierarchies dominated by the possession of legal status and expertise. There is little evidence, for example, for the increased use of unqualified administrative support staff and the substitution of relatively cheap untrained labour for legally qualified staff. This sort of development

might have been expected if the increases in the scale of solicitor firms were simply concerned with driving down the cost of the provision of legal services. Clearly, qualified solicitors are relatively expensive to employ by comparison with unqualified legal executives and secretarial staff (Ackroyd and Muzio, 2004; Muzio and Ackroyd, 2004).

Our data shows that the numbers of non-fee earning staff employed in solicitor firms actually declined steadily in the ten years to 2000. The proportion of such staff relative to the employment of fee-earners also declined. For all solicitors firms, the ratio of clerical/admin workers to fee-earners declined from 1.5 to 1 in 1987 to almost parity at 1 to 1, in 2000. Non fee-earning headcount has plummeted by almost a third against both solicitors and other fee-earners. The rationale for this is probably purely financial, aimed at maximising the financial rewards associated with professional practice. Managerial, technical and administrative staffs, of course are not fee earners; they merely provide support and facilitate professional activities. Hence, whilst they do not contribute directly to revenue generation they do contribute to overheads and so can be regarded as having a negative impact on profitability. Against expectation, the changes in the size of solicitor firms have been accompanied by reduction in the ratio of non-fee earning staff to fee earners. Law firms have, as we shall now suggest, relied on processes of work intensification of junior professionals whilst also reducing the relative number of administrative workers.

Thus, the development of large solicitor firms has also been accompanied by the increase in the ratio of associate solicitors, who are salaried employees, relative to profit sharing partners. Our data shows that there has been a continuous rise in the proportion of associate solicitors relative to partners, with the average ratio progressing from the 1985-86 value of .5 to 1, or 1 associate for every 2 partners, to a 2000-01 ratio of over 1 to 1, or one associate for every partner. This equates to 110% rise in the underlying ratio. Many firms have also introduced a new category of salaried staff, which is the salaried partner. This kind of position offers senior associates the status of partner, but denies them a share a pro-rata share of the profits generated from the activities of the firms as a whole. Hence, if we bear in mind that the figures for partners also includes partners who are salaried employees, the ratio of professionally qualified wage earners to profit sharing staff is even higher. There is, in other words, a strong long-term

trend towards increasing the proportion of salaried professionals to partners. This is the way in which increasing numbers of qualified solicitors have been absorbed: the differential headcount growth between associate solicitors and profit sharing partners is pronounced. Whilst salaried solicitors have expanded by an impressive 170%, partners have added a much more limited 30%.

Hence, recent decades have seen the lengthening of the typical period before an associate becomes a partner and a toughening of the criteria of qualification for access to full partner status. There has also been elongation of professional hierarchies and the development of an increasingly formalised division of labour between salaried solicitors and partners. At a basic level, this has been accomplished through the lengthening of partner promotion times, which, once that the new position of salaried partner is taken into the equation, have effectively doubled, from 5.5 years in the mid 80s to 10, in the late 90s (Abel 1988). Moreover, promotion criteria have been reviewed and substantially toughened, thereby reducing the percentage of associates that make the partner grade. This has implied a departure from seniority and technical competence, as the main career progression avenues, and the prioritisation of alternative criteria such as managerial ability, productivity and commercial awareness (Hanlon 1997). The emphasis in promotion is now very much on the candidate's ability to make an immediate contribution to the firm's continued financial success; in this context, partnership is not, any longer, an almost natural and inevitable step in career progression; but, on the contrary, it is an increasingly elusive reward, that reflects exceptional levels of performance and commitment (Hanlon 1997).

By such expedients as have now been described, senior solicitors who are partners in firms have succeeded in controlling the admission of new members, thus limiting the negative implications of sustained headcount growth on their own earnings. There is no doubt that the increased employment of salaried associate solicitors, and restriction on access to the position of profit sharing equity partner, has considerable benefits for the remaining partners. Under normal circumstances the revenues generated by each associate or salaried partner considerably out-weighs the cost of their labour. Existing research (Abel 1988) suggests that the average associate generates between 2.5 and 4.8 times as much income as his or her wages. Hence, even once indirect costs are considered the work of associates

generates a very hefty surplus for the firm employing them. Maister estimated (1993) that, in medium to large sized partnerships, up to 60% of partner profits is generated in this way. Thus, partners can secure clear financial benefits by increasing the number of the people who 'bake the cake' (fee earners) whilst at the same time, stabilising or even reducing the number of those who like them 'share the cake'. In other words, by acting on the profession's gearing ratios partners are therefore able to safeguard and enhance their income levels (Lee 2000; Maister 1993). Indeed the situation we have described is best seen as the outcome of the use of deliberate tactics on the part of the partners of law firms, which has involved attention to professional leverage ratios.

The re-organisation of the profession's internal organisation can be considered as an approximation to the Atkinson model of the flexible firm (1984). We have a core of professionally qualified workers, who, in exchange of increasing levels of commitment, broader responsibilities and work intensification, are compensated with relatively high levels of employment security and significant financial rewards. Thus, as in the Atkinson model, groups of peripheral and increasingly dispensable employees surround this professional core. The more we move away from the professional core towards the occupational periphery, the more precarious employment becomes, with clerical staff being particularly exposed to the realities of aggressive supply-management strategies, atypical employment contracts and deteriorating employment conditions. Our data shows a correlation between movements in the trade cycle and the adjustment of support staffing levels. Interestingly, all this has been achieved without significant departure from the professional ideology of lawyers. Against the expectation of many writers, including the predictions of the archetype theorists, there does not seem to be the adoption of a more overtly managerial ideas or the abandonment of the rhetoric of professionalism to legitimate these changes.

Our interpretation of the data we have suggest that the re-organisations of the legal profession is largely driven by the deliberate policy of the partners of legal firms to protect or enhance their rewards and privileges in the knowledge of the loss of external closure. Accordingly, current change can be interpreted as another variation of tactics that remains consistent with the 'professional mobility project' (Larson 1977). This concept draws attention to the historical attempts of professions to amass cultural capital

and technical resources and to convert them into an institutionalised system of financial and occupational rewards. This is, at bottom, a political project rooted in collective agency of professions and traditionally based on systematic processes of monopolization and occupational closure. According to this view any occupation will attempt to carve out an exclusive area of practice and entrench it in a nexus of legal, institutional, financial and ideological barriers, which could deter predatory incursions and limit the rewards of professional practice to a restricted circle of eligibles. This in turn has historically allowed the 'creation of artificial skill scarcity, by means of which the theoretically inexhaustible knowledge resource becomes socially finite' and by means of which the profession could guarantee the relatively high exchange value of its expertise (Larson 1977: 223). Viewed in thus way, it is no surprise to find that the rhetoric of professionalism has not been entirely abandoned.

Finally, since the changes we can observe seem to have been designed to maximise the financial rewards of the professional elite, and to safeguard its privileged occupational position, these particular developments are difficult to reconcile with the idea of movement towards a more efficient and functional organisational configuration per se. We argue that these changes are better understood in the context of strategic changes in the allocative regime of legal firms, combined with suitable adjustments in the conception of the professional project. Accordingly, in this context, it seems that the current transformation of the legal organisation, is not explained by the identification and adoption of a better and more effective organisational paradigm, as predicted by archetype theory, neither by the contamination of professional domains with values, practices and structures usually associated with managerial work organisation methods. Rather, ongoing change seems is best understood as a series of exploitative tactics developed and implemented by the elite of the legal profession in a systematic attempt to safeguard their privileges and promote their sectional interests. It is this deliberate and self-interested logic associated with the long-term strategies and historical objectives of a particular professional project (Larson 1977), pursued through new and particularly exploitative tactics, that explain ongoing patterns of professional change.



## **Brief Conclusions**

We argue that the examples of change in organisational structure we have briefly considered in this paper are best understood as predominantly political process rather than processes primarily explained by a need to restore functionality. This realisation is, in turn, anchored in different account of organisations which was set out at the outset. In this view organisational structures are conceived as the outcomes of particular webs of competing interests and organisational change results from groups exercising their power and utilising what resources they have in particular ways. In our analysis particular groups, motivated by highly specific agendas, values, expectations and aspirations constantly contend with each other in the pursuit of their own particular interests and sectional claims. It is in the context of such processes that organisational structures are continuously re-produced and changed. The key point is that the resources (including especially the capacity for effective agency) of the various interest groups vary greatly. This sort of approach represents a radical departure from the functionalist tradition of structural theorising.

Whilst a minimum concern with efficiency and performance is retained in our approach (after all, organisations need to secure a minimum level of functionality to survive), we prioritise group agency and political interests over neutral efficiency calculations. Change does not derive primarily from the need to improve the functionality of existing structures, but from the deliberate actions of groups who stand to benefit disproportionately from the changes they introduce or promote. Change can usually be connected to changes in the powers and resources of groups and / or the formation of new ideologies (or the refurbishment of old ideas) that legitimate the processes in which they impose their largely partisan vision of organisational development on other groups. These ideas, we argue, are especially useful in addressing some of the limitations of archetype theory in relation to the analysis of change in organizations of different types. These ideas, we argue, offer a more plausible explanation of the fact that views of the need for restructuring and change emerge in markedly different ways, that very different groups of agents wish to see them applied and trajectories of change take very different forms.

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<sup>1</sup> It is difficult to show an association between organizational structure and performance anyway, and, even when this can be done, only a fraction of the variance is explained. In addition, it is not clear that a given configuration of structure is the reason for the superior performance. (See, for example, Child's discussion of this issue 1984: 207-16.) Clearly, we do not know whether a given organization is the most efficient utilisation of resources possible; in fact, we often, with justification, suspect that it is not

<sup>2</sup> For some commentators, it is the fact that organizations are structures through which control is exercised that is the salient (Clegg and Dunkerley 1980, Ch 12; Clegg 1989). Many of the organizational analysts in this tradition have concentrated their attention on explaining the process through which labour is controlled. They have been labelled labour process analysts (Thompson 1984; Ackroyd and Thompson 1999). Whatever the label used, there are many organizational analysts who have drawn attention to the basic character of organizational structure as a device which embodies the exercise of power used in the pursuit of particular interests.

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As well as power and authority, tradition and habit play their part in dictating that organizations adopt standard forms. Another group of organizational writers, usually called institutional theorists, have emphasised the importance of factors of this sort in explaining why organizations take standard forms (Powell and DiMaggio 1991; Scott 1995). According to these writers, organizations take standard forms because they are customary, and are copied and reproduced for this sort of reason. DiMaggio and Powell call this sort of effect isomorphism (iso meaning same + morph meaning form) (Powell and DiMaggio 1991: 63-82). The tendency of organizations to mimic each other is also important in the explanation of the adoption of standard organizational forms. This process is sometimes called 'mimetic isomorphism'. A concept drawn for the sociological theory of Giddens - proximate structuration - is also used (Giddens, 1979). This suggests that organizations come to adopt the forms of other structures around them. These ideas are really important for explaining why it is that we see particular types of organization and not an infinite variety.

<sup>3</sup> BICC was acquired first by Balfour Beatty, before being sold on; Racall was acquired by the French electronics conglomerate Thompson, and so on.