

DEPARTEMENT TOEGEPASTE ECONOMISCHE WETENSCHAPPEN

ONDERZOEKSRAPPORT NR 9835

ORGANISATION THEORY AND THE ETHICS OF PARTICIPATION

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S. CLUDTS



Katholieke Universiteit Leuven

Naamsestraat 69, B-3000 Leuven

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Stephan Cludts

Centre for Economics and Ethics
Catholic University of Leuven
Naamsestraat 69
B-3000 BELGIUM

tel: + 32.16.32.66.59

fax: + 32.16.32.69.10

e-mail: [stephan.cludts @ econ.kuleuven.ac.be](mailto:stephan.cludts@econ.kuleuven.ac.be)

Abstract

An ethical evaluation of employee participation to decision-making has to be based, obviously, on some understanding of ethics, but also on an understanding of the role and the impact of participation in the organisation. This paper aims at sketching different organisational paradigms, and analyse their normative prescriptions w.r.t. participation. It will appear that an understanding of the social nature of man and the acknowledgement of the existence of differentiated goals could enhance the positive outcomes of participation. Next, we will examine to what extent a systemic approach and a stakeholder concept of the firm can meet both requirements. The necessity of a global approach to participation will be emphasised. Consequently, we suggest in the last section of this paper that participation should be extended to the definition of a shared value horizon.

STEPHAN CLUDTS has a background in business administration and philosophy. He is a research assistant at the Centre for Economics and Ethics from the Catholic University of Leuven. His current PhD. research focuses on normative stakeholder theory and employee participation.

Organisation theory and the ethics of participation.

I. Introduction.

There are three main organisational approaches to participation: the cognitive approach, the affective approach and the contingency approach (Miller & Monge (1986)). Each of these leads to different predictions w.r.t. the main effects of participation, i.e. productivity and satisfaction. However, due to the existence of multiple substantial and methodological moderators (Black & Gregersen (1997)), empirical research has not yet allowed us to draw definitive conclusions about these effects, and the mechanisms underlying participation remain largely unexplored. Among the substantial moderating variables, the rationale of participation, its structure, its form, the decision issues involved, the degree of involvement and the decision process can be mentioned (Cotton et al. (1988), Black & Gregersen (1997)). This paper focuses on one of these dimensions, the decision issues.

A typical taxonomy of the issues involved could include: (1) work and task design, (2) working conditions, (3) routine personnel functions, (4) company strategy and (5) capital distribution and investment. The claim of this paper is that considering one more class of issues, namely company values, could provide us with additional insight into participation. More specifically, we claim that the functionality of participation can be enhanced by extending participation to value-setting. In addition, we claim that such an extension can be justified, and is even desirable on moral grounds.

In order to support our claim, we will firstly show (section 2) that participation to such issues is not on the agenda of the classical (the first three) organisational paradigms which are listed in figure 1 (partly based on Schein (1965)). In section 3, we will explain next why recent developments in organisation theory urge us to consider goals and values as key elements of organisations, and show why participation to value-setting is an ethical imperative. Finally, we will suggest that a conception of ethics as a shared value horizon can be helpful to operationalise this kind of participation (section 4).

View of Man	View of the Organisation	Focus	Aims of Participation
Rational Man	Agency and Contracts	Engineering Efficiency	Cognitive Aspects
Social Man	Human Relation	Social Harmony	Motivational Aspects
Self-actualising Man	Human Resources	Integration and Self-control	Strategic Development
Ethical Man	Systemic view (Networks)	Relations and Development	Integrative Meaning

FIGURE 1: *Organisational and ethical paradigms of participation.*

Though the different paradigms will be presented here as if they were independent from each other, the boundaries between them are not always as clear-cut as one could wish. This is unavoidable, since they highlight different dimensions of a same phenomenon.

In most participative schemes, all these dimensions are present to some extent, and combine in different ways along with divergent organisational practices. In addition, our structure corresponds approximately to an historical evolution by which later paradigms incorporate and integrate earlier paradigms, but it should be noted that proponents of 'earlier' paradigms have also attempted to integrate the insights of 'later' paradigms. The need to integrate the different perspectives and to adopt a global approach of participation will be one of the questions addressed in the last section.

II. Descriptive organisation theory and normative ethics.

II.A. Rational-economic man.

We begin our enquiry into the main paradigms of organisations with the rational-economic paradigm, within which men are viewed as rational utility-maximising individuals. On the one hand, these individuals take part to the economic life for the sole purpose of their own economic self-interest. On the other hand, they choose *by rational calculation* these activities that will maximise their utility, while emotions and feelings are either seen as the epiphenomena of rational motives, or dismissed as "irrational". Hence the involvement of employees to their corporation is said to be merely *calculative* (Etzioni (1964)).

"An organization will continue to exist only so long as it can arrange payments to its participants adequate to motivate the continued participation and contributions to the organization." (March & Simon (1958), p. 86)

A consequence of these assumptions is that the managers have to plan, organise, motivate and control the employees (Koontz & O'Donnell (1964)), whereas the employees themselves are only left with the execution of the tasks they are assigned. Early this century, these assumptions led to the development of *scientific management*, while later refinements led to the so-called *information processing* movement after the second world war. Characteristic of the latter is that employees are no longer seen as passive, but rather as active information processing systems, able to take decisions and to solve organisational problems (March & Simon (1958)). In addition, an absolute conception of individual rationality has been removed in favour of of a concept of bounded *subjective rationality*.

However, the different theories developed within the frame of this paradigm have two important common features. The first one is the focus on organisational rationality as the ultimate managerial goal. It is precisely the key task of managers to design *well-defined procedures and roles*, such that they will limit the impact of irrational factors and make individual behaviour predictable. This predictability will in turn allow them to optimise the processes. In other words, these assumptions create the need for hierarchical control mechanisms such as authority, unity of command, task specialisation, separation between staff and line, etc. (McGregor (1960)). The second one is an *instrumental* view of people. The use of individual skills should be optimised by managers merely in order to maximise organisational efficiency, and ultimately corporate profits.

Similarly, participation is viewed as an *instrument to optimise the information flow* and the decision making. Since the relevant information and resources are spread among the employees, the decision-making quality is likely to benefit from an increased variety of

inputs (Mason & Mitroff (1981)). Each employee has a specific expertise in his own narrow field, and participation is one of the methods available to managers to gather and communicate information. It is foremost a matter of *group problem solving*.

All the cognitive models of participation that have been developed (see Katzner (1995)) agree to hypothesise that more and better information will be processed during a participative decision making process. Participation is expected to lead to better bottom-up communication, better processing and better use of information, and to help the workers get a better understanding of management's decisions. Obviously, the higher the employees' expertise, the higher the productivity increase. Therefore, the expected benefits of participation are higher if the workers (at least lower level) are involved to decisions about their immediate work environment, rather than about strategic issues. A meta-analytic analysis conducted by Miller & Monge (1986) provides some support for these hypotheses, but not a clear confirmation, because their results depend on the quality of the information exchanged and the quality of the exchange relationships, both of which cannot be modelled with the tools of the rational-economic paradigm.

In contrast with the cognitive structure of the company, the existing power structure is not questioned and power remains concentrated in management's hands. The focus lies indeed on the involvement of employees to the efficient search for solution and execution of tasks. The assignment of these tasks by managers is not required to be participative. On the contrary, the managerial strategy will often consist in splitting the problems into smaller sub-problems, that can be subsequently tackled by different people almost *independently* from each other. Real participation of employees in decisions made on other organisational levels is thereby made almost impossible.

Hence, there is no way in which employees could influence *corporate* goals, and inversely, participation is not considered as an instrument to realise *personal* goals. These are supposed to be pursued *out* of the workplace, with the money earned as a compensation for the dis-utility generated *on* the workplace. This negative view of work creates the need for control mechanisms to reduce opportunistic behaviour, but it has been argued that participation involves some important control mechanisms (peer control, social pressure, identification with the company, ...) that reduce the incentives to shirk, and increase employee loyalty and incentives for co-operation (Doucouliagos (1995)). However, these control mechanisms cannot be sufficient on a stand-alone basis. Therefore other authors have argued that participation to decision-making should be supplemented with either financial participation (Levine & Tyson (1990)) or scale reduction (Bowles, Gintis & Gustafsson (1993)).

When organisations are viewed in the light of such utilitarian framework, organisational problems are always conceptualised as the consequences of organisational irrationality. Hence most of the solutions suggested involve a further rationalisation of the organisational processes. Unfortunately, the assumed 'lack of rationality' is a self-fulfilling prophecy. The circle of rationalisation can only be broken if one accepts to take other factors into account. The crucial insight has arisen, in particular from game theory and agency theory, that trust is one of these factors (Frank (1988), Sugden (1993)). Viewed in the light of this conclusion, participation can be defended on totally different grounds, for it can help foster a co-operative and high-trust climate within the organisation, but this will be the topic of the next paradigms.

II.B. Social man.

The core assumption of the social man paradigm is that people are motivated primarily by their social needs, and that people need to find satisfaction and build their identity *on* their workplace, through their relationships. The source of motivation at work is shifted from the manager to the worker. In addition, workers are assumed to be naturally inclined to avoid competition with their fellow workers. The need to be accepted by one's colleagues, and various other forms of social control are assumed to be as important as the traditional control mechanisms. These assumptions laid the basis of the *Human Relations* movement, which dominated managerial thinking between 1935 and 1955 in the US, and somewhat 20 years later in Europe.

As managers became conscious of the existence of non-rational social needs, their task was extended to include the satisfaction of these needs, particularly the feelings of belonging and identity, in order to raise the employees' motivation and loyalty. However the power structure was again left untouched, and human relations programs did not bridge the distance between managers and subordinates (Guest (1983)). Managers were advised to *manipulate* their subordinates in such a way that they would *feel* involved with the *formal* organisation and that they would identify themselves with the principles laid down by top management. The failure to acknowledge the role of the *informal organisation* in satisfying the emotional needs of the organisation members was the most important weakness of the *Human Relations* movement, since human relations are by nature *informal* (Argyris (1957)). In addition, this approach denied that the workers were able to be motivated by themselves. A subsequent weakness was the focus on social harmony and the negation of conflict. Social harmony may be one of the keys to organisational efficiency, but that harmony should be allowed to develop spontaneously, and cannot be imposed straightforwardly by any managerial technique.

In this paradigm, the motivational aspects of participation occupy the central place and the impact on efficiency is indirect. Participation is assumed to increase morale and job satisfaction (Erez (1993)), while higher motivation in turn leads to higher efficiency.

“If the employee can expect gratification of some of his important emotional needs through participation in the organization, he can to a degree become morally involved in the organization; for its part, the organization can then expect a greater degree of loyalty, commitment, and identification with organizational goals.” (Schein (1965), p. 60)

The Scanlon Plans are one of the most famous example of the participative schemes developed within the *Human Relations* paradigm. Under these schemes, all workers may submit suggestions regarding the production process to a committee composed of managers and voluntary workers. If the suggestion is implemented, the realised savings are distributed to *all* production workers as a percentage of their salary, not only to the one who submitted the suggestion. This signals clearly that the group has more importance than the individual and prevents any contra-productive competition among workers. The committees lead to a better communication between workers and managers, but also to higher involvement of the workers with the organisation.

The american Quality of Work Life (QWL) programs also fit within this paradigm. They aim specifically at improving the work conditions, by involving workers to decisions

over their immediate work environment; the work processes are not considered for change, because they are assumed not to influence the workers' attitudes towards the company (Gardell (1983)). In most cases an attitudinal change does take place when a QWL program is implemented, but often the workers raise the issue of increased control over their own jobs, though that wish doesn't fit the intended design and purpose of QWL. This has led to many frustrations and abandonments of QWL programs.

We will conclude this brief sketch of human relations by pointing at two weaknesses, which will be addressed by the next paradigms. First of these is the fact that employees' needs are not satisfied through the work itself. Similarly, more attention is paid to formal participation *mechanisms* than to the *content* of participation (Miller & Monge (1986)). It is the act, not the content of participation that provides satisfaction. Therefore, low skilled workers are predicted to benefit most from participation, since their initial motivation is expected to be lower in the first place (Erez (1993)). However, the lack of care for the job itself signals to the workers that their job is really not worth it. Next to this, participation becomes virtually useless if workers are motivated by other means (Erez (1993)).

A second weakness is the ambiguity of this paradigm, caused by the attempt to include the social side of man in the rationalist framework. Though it was recognised that the employees' human and social needs could differ from the organisation's objectives, the *Human Relations* movement failed to accept this differentiation, because it took social harmony as an intermediate objective, under the exclusive responsibility of management; that harmony was in turn supposed to boost organisational efficiency. Consequently, managers tried to secure the collective involvement of the workforce by communicating heavily their own objectives and strategic orientations; they didn't catch the difficulty for one to get involved with goals which one has no opportunity to influence. This only reinforced the problems listed above: the mechanisms for participative management were often merely formal, and the scope of participation was limited to the immediate work environment, while the opportunities for interaction between team members and other organisational layers remained scarce.

II.C. Self-actualising man.

Argyris (1957), McGregor (1960), Likert (1961) all made the same point: man has by nature the need to realise himself and to use his skills in a mature and productive way. They all assume that the need for personal growth and self-realisation tops a universal individual hierarchy of needs that is valid on and off the job. Some degree of autonomy and independence, insight in long term developments and learning opportunities are not only necessary, but also *sufficient* conditions for the individual to achieve these goals. Hence this paradigm claims that employees should find satisfaction *in* their job, instead of *on* the job. Furthermore, managers' attention must shift to one's job content in order to develop one's personal and unique skills.

Important socio-technical experiments about job rotation, job enlargement, job enrichment, and, more generally, people-oriented leadership have been carried out in order to adapt the job content to the human and social needs (Emery, Thorsrud & Trist (1969), Gardell (1983)). The conclusions drawn out of these experiments, mostly in Scandinavia, emphasised the importance of teams (Gardell (1983)). Teams provide

workers with learning opportunities (which are a key element of micro-level participative democracy), and allow them to manage the socio-technical aspects of their work (Thorsrud (1984)). Semi-autonomous work teams not only satisfy the social needs of the employees, but also create a challenging and autonomous work environment.

However, some have claimed that the high specialisation and fragmentation of work prevalent in the modern industrial society prevent the conditions for self-realisation to be fulfilled: workers are allowed to use only a tiny fraction of their skills, and they have no opportunity to see the relationship between their particular job and the broader organisational goals. However, if one's job is experienced as too narrow and meaningless, one will allegedly look for meaning in the *informal* organisation, which will often encourage apathy, indifference, low production rates, etc.

Anyhow, the fundamental differences between the needs of an adult personality and the demands of a *formal* organisation are unescapable. Formal organisations indeed promote task specialisation, rational co-ordination of activities, unity of command, and extrinsic rewards, while the individual is assumed to find motivation in himself, and to manage himself in order to achieve the goals to which he is committed (Argyris (1957)). However, some insist that the *formal* (rational) organisation is *not* the most *efficient* kind of organisation and claim that there is no conflict between individual needs and the needs of the *effective* organisation (Weber & Van Braam (1972)). This separation of formal organisation and efficiency implies the adoption of a new view on leadership and control. Authority and hierarchy should not be given a central place, but alternative influence and control instruments such as persuasive power and professional expertise, or even self-control, should be considered. Though, one should keep in mind that some of these, e.g. *self-control*, will work only if the members of the organization perceive that they could achieve their own goals best by directing their efforts toward the success of the enterprise.

Advocates of the *Human Resources Management* (HRM) paradigm thus suggest that an organisation will be efficient if it takes the needs and expectations of its members into account (*integration principle*). If *perfect* integration of individual and organisational goals is unrealistic, the individual and the organisation can nonetheless look for common expressions of their respective developmental needs, which will anyway coincide *in the long run*. The role of individuals in this process is clearly emphasised:

“[There] is a (...) tacit agreement - *incorrect*, I believe - that participation applies to groups and not to individuals. (...) [Participation] consists basically in creating opportunities (under suitable conditions) for people to influence decisions affecting them.” (McGregor (1960), pp. 125-126)

Though the importance of teamwork is not negated, participation is rather viewed as a matter of increasing the subordinate's influence within the sphere of his superior's responsibilities. Its focus lies on a more equal distribution of power and responsibilities, and its primary goals are: (1) to help the workers grow, and (2) to increase their willingness and their capacity to bear responsibility. This will, of course weaken the authority of management, but greater employee influence is nevertheless expected to have a positive impact on the quality of decisions and on the efficiency of the company:

“Democratic leadership is not an absence of leadership. There are soft and tough democracies as well as soft and tough autocracies; and a tough democracy is

likely to be more, rather than less, democratic.” (Argyris (1957), pp. 191-192, original emphasis)

Though generally speaking it is a normal consequence of people-oriented leadership, that the employees will be involved with an increasing number of discussions and decisions on *all* levels in the company, broader organisational issues are not likely to be considered during the participative process (Dachler & Wilpert (1978)). One reason for this is that the decisions to which one is allowed to participate should be tailored to one’s personal skills and autonomy. But another important reason is that the power structure of any *formal* organisation is to some extent autocratic (Argyris (1957)), and autocratic structures make individual freedom and group decision-making virtually impossible. In addition, this model is especially relevant to highly educated people, who have higher expectations of self-realisation. On the other hand, it is assumed that the vast majority of non-managerial workers would benefit less from extended participation.

This limitation of the ‘self-realisation’ concept of participation is also present in HRM thinking. Though it is assumed that the human potential is optimally realised if one can *integrate* individual and organisational goals (Beer e.a. (1984)), the employees are hardly given the opportunity to provide inputs to decision-making on the strategic level. Just as this strategy is assumed to be rational and top-down, so the human resources management is expected to be. *Strategic* human resources management, conceived as an instrument to support the strategic orientations of the organisation, aims thus primarily at controlling the diversity present within the company. This is why it has been claimed that HRM is still characterised by an ‘integration perspective’ paradigm (Meyerson & Martin (1987), Janssens & Steyaert (1996)).

III. Looking beyond the classical paradigms.

Summarising what we have found up to now, the concept of participation that has been developed within these three paradigms suffers from three important weaknesses. First, these three paradigms implicitly acknowledge the primacy of the corporate strategy set by top management. Though this isn’t exactly subversive, things get complicated by the fact that these goals are set in top-down rational, utilitarian terms, thereby reducing everything to one sole criterion. As a result, nothing more than a rational, or calculative involvement can be expected from the subordinates, and neither groups nor individuals can be allowed to pursue their own goals. As long as this is the case, ‘true participation’ will remain an illusion (Sievers (1994)).

Secondly, two of these three paradigms didn’t take the social nature of man consistently into account. The focus on individualism, which has its roots back in the rational-economic paradigm, is still present in the self-realisation theory of participation (Dachler & Wilpert (1978)). Nevertheless the dominance of methodological individualism (Godbout (1998)) is perfectly compatible with the strategic focus of HRM: since this paradigm was not able to account for the relationships between the individual and the collectivity, it was simply unable to conceptualise (neither descriptively nor normatively) any individual input in the organisation’s goals. Since no commitment to any ‘common good’ is expected from the employee, they won’t show any. It is clear that such conditions will hamper any attempt at implementing participative management.

Thirdly, and this is related to the previous observations, though empirical research conducted within their frame has always been unable to define a simple generalised and unified conception of man (Fenwich & Zipp (1993)), these three paradigms do not acknowledge the diversity, the complexity and the ambiguity inherent with man and with the organisation. Therefore they are unable to conceptualise the relationships between the diverse subgroups within the organisation.

We can thus draw a preliminary conclusion: an understanding of the social nature of man and the acceptance of differentiation will enhance the chances of success of participation. Both are indeed linked, since the understanding of the social nature of man implies a recognition of his complex nature, and this very complexity makes a 'traditional' integration of individual and organisational values and goals impossible. In the next section, we will use recent developments of organisational theory and stakeholder theory to provide additional support to this preliminary conclusion. The recognition of the diverse needs and expectations of diverse organisational subgroups suggests that we pay more attention to the management of the relationships between these subgroups in such a way as to enhance the productivity of each without destroying the internal *co-ordination of differentiated goals*. At the same time, we will show that these provide arguments in favour of participation to value-setting.

III.A. Complexity and diversity within the individual and the organisation.

As the static assumptions of the past are being questioned, individuals and organisations are now viewed as complex dynamic networks, and are assumed to live in a permanent state of ambiguity. We are invited not only to recognise ambiguity and diversity, but also to accept them. The individuals are assumed to have diverse needs and wants, but also to change over time; moreover their personality is assumed to be neither fully consistent nor free of contradictions. Individuals are conceived as *polyphonic*, speaking different voices according to the varying contexts and narratives of which they are part (Griens & Van den Bergh (1997)). On the level of the organisation, the existence of different interpretations is emphasised together with the changing and the temporary. The boundaries and the identity of the organisation become blurred (Jorgensen & Steyaert (1997)). Consensus, dissensus and confusion exist simultaneously, while consistency is only an illusion created by management (Janssens & Steyaert (1996)).

Systems theory has been developed in the last 20 years as an attempt to model this complexity on organisational level. The corporation is said to be a social system, in which people individually and collectively play the major roles. Behaviour of individuals, subsystems and total organisation are interrelated, and each part in the set can affect the behaviour or properties of the whole (Ackoff (1994)). In turn, a system can affect its parts by increasing or decreasing the variety of the behaviour they can display, i.e. the ends or means available to them. Systems, subsystems and larger systems on all levels have purposes of their own, and all are relevant to the organisation. When conceptualised as a social system, the business' good functioning is no longer assessed by the growth of its output or profits, but by its capacity to adapt, maintain itself and grow, regardless of the particular functions it fulfils, and particularly by the development of the *capabilities of its parts*.

Ackoff claims that the development of one's capabilities is best measured by increases in one's *quality of life*. However, as one can never know all the relevant needs and desires of others, or what will increase their quality of life, *decisions should not be evaluated by their content or consequences, but by the way they are made and by whom* (Horvat (1983)), ideally all those who are directly affected by a decision (stakeholders), or their representatives. Therefore a corporation should allow all its individual members to participate in these decisions that can have an impact on their personal development.

The primacy of the procedural aspects of decision-making over its substance is an essential democratic requirement (Horvat (1983)). However, experience and skill are necessary prerequisites for meaningful participation in decision-making (Clegg (1983)). When these are missing, participation becomes manipulative and leads to disillusionment and apathy. Either, one will have to find a compromise between efficiency and democracy, or one will have to care for the development of all employees. This care is precisely one important dimension of the relational stakeholder theory, to which we will turn.

III.B. The acceptance of differentiated goals is an ethical imperative.

The *normative stakeholder approach* provides a normative basis on which we can ground the recognition and valuation of different perspectives, and principles that allow us to cope with complexity. The core intuition of the stakeholder theory is indeed that a series of (internal and external) stakeholders are so closely related to the company, that they should be entitled co-decision rights on the strategic level of the company. Stakeholder theory explicitly acknowledges the central role of the conflicts that inevitably arise between divergent stakeholder interests, and suggests that these conflicts should be settled during an open dialogue to which all stakeholders (obviously including the employees) are given the opportunity to contribute. In a stakeholder management view, managers' prior duty is to weigh conflicting claims against each other, and to coordinate these conflicting claims in order to guarantee the long-term survival of the organisation. However, the extent to which the different stakeholder interests have to be taken into account remains an open question.

To answer that question, we need to investigate the normative core of stakeholder theory. Evan & Freeman (1988) have suggested the Kantian imperative as the normative basis for stakeholder theory, claiming that the corporation should never consider its stakeholders as mere means to an end, but also as ends in themselves. They conclude from there that the stakeholders have a right to participate in all decisions that can significantly affect their welfare. Furthermore, they see the corporation as a forum, a vehicle for coordinating stakeholder interests. Unfortunately, there is no agreement on this normative core. Several authors claim that Evan & Freeman's conclusion does not follow from the Kantian imperative. Others claim that this theory is inadequate to deal with complex situations, for they present the relationships between the stakeholders as bilateral, while complexity can only be expressed by multilateral relationships. More fundamentally, their theory provides no clue about the extent to which management has to privilege the interests of some stakeholders over the interests of others.

Hence, some have tried to develop other, more or less convincing, normative stakeholder theories (Donaldson & Preston (1995), Goodpaster (1991), Freeman

(1994)). The most innovative argument has been developed by Freeman & Gilbert (1992). They argue that the dissatisfaction with Kantian stakeholder theory stems from its unilateral individualistic *justice perspective*. Justice focuses on a system of rules and responsibilities that enable people to live together, but justice also takes individual rights and the capacity to logical reasoning with abstract moral concepts as the keys to moral reflection. Freeman & Gilbert, referring to the upcoming *ethics of care* (Gilligan (1982)), have argued that this perspective discounts the importance of relationships, and should be supplemented with the *care perspective*. The care orientation makes the human capacity to extend care the touchstone of moral activity. Care emphasises the importance of human interaction and the ability to flourish in a network of relationships.

The core of *relational stakeholder theory* (Wicks, Gilbert & Freeman (1994) Burton & Dunn (1996), Dobson & White (1995)) is that the organisation has a *duty to care* for its stakeholders, and in balancing interests priority is given to these stakeholders with whom it has *close* relationships. Stakeholder management, understood in these terms, is about creating value for an entire network of stakeholders by working to develop effective forms of co-operation, decentralising power and authority, and building consensus among stakeholders (Burton & Dunn (1996)). The focus on relationships, and on the responsibilities flowing from these relationships, has several other important consequences, which clarify some implications of the complexity paradigm:

1. From a relational perspective, the self has relationships that cannot be separated from his existence (see MacIntyre (1981)). Similarly, the corporation is constituted and defined by the network of relationships in which it is involved with its stakeholders. This means that individual entities are not able to formulate their goals *autonomously*. Since one's aims are thus defined simultaneously with everyone else's, no strategy formulation can be unambiguous, let alone "objective".
2. The traditional resort to (monetary) quantification and abstraction not only rests implicitly on an illusory ideal of objectivity, but also implicitly *erodes the legitimacy of stakeholders* as persons who deserve a voice in the corporation. On the contrary, the emphasis on relationships emphasises the fact that decisions should be based on the responsibilities inherent in each relationship. Defining strategy in this way helps us achieve important moral goods - trust, solidarity, commitment, and participation.
3. Hierarchy helps to simplify and structure the organisation by clearly defining authority and duties. However, (1) it tends to silence external stakeholders, and (2) it narrows the range of input from internal stakeholders. We need not to abolish the differentiation of labour, but to put it in the service of humanising (meaningful) work practices, increasing employee involvement and responsibility.

This relational stakeholder ethics is obviously no panacea (Burton & Dunn (1996)). It is assumed e. g. that *all* the stakeholders involved can take a caring approach, while men will always have egotistical needs as well as an altruistic commitment to care (Sik (1984), Keeley (1996)). However, relational ethics is a nice complement to traditional stakeholder theory. On the one hand, Kantian stakeholder theory stated very clearly that there could not exist anything like a clear and unique goal for a corporation, since all stakeholders' interests should be taken into account. Consequently it suggested that these interests would be balanced through rational discourse. On the other hand,

relational stakeholder theory can help us to understand that rationality is *not sufficient* to find a balance that would satisfy all parties. Next to rational argumentation, one needs to take personal factors into account, although this leaves the door open to divergent objectives. The outcome of the stakeholder dialogue doesn't need to be a consensus statement, for important values of care are already achieved during the dialogue, and also in the mutual help and co-operation necessary to achieve everyone's goals.

III.C. Participation in the context of differentiated goals.

The different approaches to men and organisations outlined in this paper have clearly shown the multidimensional and complex character of employee participation. Therefore, in a complex and changing environment, there cannot exist such thing as *the one* successful managerial strategy. Hence the wave of rather idealistic attempts at structural democratisation which came into being in the late sixties has been gradually replaced by new, more pragmatic forms of participation (Lammer & Sell (1989)). The relational perspective can contribute in the following ways to this move.

At first, employees have diverse needs, wants and skills; hence the assumption that all employees are able and willing to participate in decision-making may be an unjustified generalisation (Alutto & Belasco (1972)). Some are probably not willing to participate, some won't feel the need to, and still others won't be able to. While traditional stakeholder theory claims that employees should be offered the opportunity to take part to decision-making, the relational perspective makes us aware that the social and relational development level of employees should be taken into account. If such is the case, managers have to recognise that the training of social skills and the development of a *participative climate* are important elements of any participation policy.

Secondly, one of the biggest obstacles to the implementation of participative schemes is management's fear to loose part of its power. Participation that significantly reduces the power of any group, especially the managers, is not likely to be viable. Hence the poor success of some industrial democracy experiments aimed at taking the control from the management and giving it to the workers. The traditional stakeholder model doesn't solve this problem, because it relies exclusively on managemers' moral sense to make them realise that a stakeholder approach is ethically better. However, Tannenbaum (1986) has argued that if we understand power as the power "to get one's way", and not as the power to prevent others from getting theirs, *power distribution need not be a zero-sum game*. The relational stakeholder approach relies on a set of assumptions that makes Tannenbaum's claim far more plausible and acceptable than it may seem at first glance: for if the self is essentially relational, then one cannot increase one's power by weakening the other people who form the network of relationships one is embedded in. If a management style which does take this into account is adopted, then participation need not be equalled with a move by which power is gained by some and lost by others.

Thirdly, it follows from the allegedly illusory nature of the concept of objectivity that no managerial strategy is value-neutral; any strategy signals and sustains particular values. Therefore, if the range of decision to which employees are allowed to participate does not include the choice of the values sustained by their corporation, it is likely that the implementation of the corporate strategy will lead to inconsistencies with their own personal values. The only way to avoid this is to extend participation to the corporate

values. However, this requires that participation would *not* be limited one's individual work environment. Although the first three paradigms insisted precisely on participation being thus limited, if one recognises the intrinsic importance of personal values, one cannot force a particular set of values on all the organisation's members without allowing them to participate in some way in their definition.

Since values are simultaneously part of *everyone's* daily environment, participation to values-setting does not require any expertise, except some communicative skills in which one can easily be trained. In addition, participation to values-setting doesn't mean that all employees will define the strategic orientations of the corporation. Rather, such arrangements will allow the workers to influence them indirectly by shaping a company culture which fosters the trust relationships and the co-operative spirit which are necessary conditions of the success of the corporation (Sugden (1993)). This approach would (1) accept some degree of differentiation between individual and organisational goals and values, (2) include an understanding of the social/ethical nature of men and (3) lead to a better understanding of the ethical nature of business. In addition, we claim that participation to values-setting should foster the development of an integrative meaning, built around some coherent values, while making sense of diverse goals.

Why do we claim that the development of shared vision and values is necessary? Because if *everyone* is allowed to participate in the definition of the values and goals of the corporation, if the business is conceptualised as a mere forum for interaction between the various stakeholders (Evan & Freeman (1988)), there is a significant risk that it would quickly be turned into an arena where each stakeholder tries to gain power over all the others.

“...empowerment without a shared sense of direction can lead to anarchy. (...) The notion of a shared direction (...) reconciles the needs of individual freedom and concerted, co-ordinated effort.” (Bogenrieder (1997), p. 2)

Senge argues in the same direction (Senge (1990)). Intuitively, it makes sense to say the different stakeholders need to rely on some shared principles to orient their actions. A high degree of commitment cannot be achieved if one doesn't know with enough accuracy *to what* one is (or is expected to be) committed. This shared vision would be the key to defining the *distinctive nature* of a corporation, beyond the mere forum for interaction. This suggests that one should primarily be involved to the definition of these shared values. In this way, the parts of a social-systemically conceived organisation can be enabled to participate (directly or indirectly) in the selection of *both ends and means*, which is the *essence of democracy* (Ackoff (1994)). If this is achieved, the workforce's involvement to strategic or operational goals will be enhanced quite naturally.

IV. Participation and ethics as a shared value horizon.

Though the disappearance of goals and values diversity from the organisation is no longer assumed to be possible, nor desirable, it seems that some minimal consensus on the nature of the corporation has to be reached. We think that the most adequate solution to this dilemma is to favor consensus (which may be evolving) on a higher level, i.e. on a set of values or principles instead of a set of systems and rules. Values and principles provide justifications for the rules, and are more abstract than rules. The function of such shared values is not to give a guideline for behaviour contentwise. It is not their literal content which is relevant, but the capacity of these values to impose a context for

the behaviour of the members of the organisation. On the one hand, they must guide the behaviour, but on the other hand they must allow for enough freedom for the creative individuals who can combine acceptance of pivotal norms and independence w.r.t. peripheral requirements. Involvement with the shared values is perfectly compatible with the existence of individual goals within the context of these shared values.

A consensus on values and principles has two main advantages. The first one is that different interpretations and actions are accepted in specific contexts, allowing for an increased flexibility. The flexibility thus gained is not only operational, but more generally an increased adaptability, especially in periods of crisis. The second one is that such a consensus gained through participation can be a means of ensuring the social cohesion which is necessary to go through periods of crisis (Chouraqui (1993)). Pruzan & Thyssen (1990) have suggested that such a high-level consensus could be reached using ethics as a *shared value horizon*. Ethics as a shared value horizon provides members of the firm with useful guidelines, while allowing them the necessary freedom to pursue their own individual and autonomous goals. Recognising the others as ends and not means, we have to truly consult them to form a consensus, as a way of taking their needs and those of the community into account, out of both ethical and pragmatic considerations.

Pruzan & Thyssen do not prescribe practical solutions, but explain why ethics as a shared value horizon can contribute to organisations (which they view as autopoietic and communicative social systems). Values are at stake in all decisions, but in our post-modern society no set of values can gain superiority over any other set of values. If neither intuition nor universal rules can help us to prioritise ethical rules, then it becomes necessary to create a *political culture* where a consensus could be developed about ethical issues. That political culture is based on a 'second-order morality' (what Habermas would call discourse meta-ethics). In this framework an ethical decision is one to which all stakeholders can participate during an open and rational ethical dialogue. The ethical character of the decision is not given by some metaphysical principles but is built *during* the dialogue process. An ethical choice, accepted by all parties during an ethical dialogue (which comes close to Habermas' 'ideal speech situation' (Habermas (1976)), i.e. a situation in which it is possible to achieve a rational compromise under conditions of a balance of power between the parties involved), they call 'consensus'. Classical democratic management is in their eyes inadequate, for the use of voting rules may lead to unethical decisions. They claim that, within the context of decision making in organisations, these 'democratic' rules should be replaced by the pursuit of consensus via rational discourse.

Moreover, they claim that the use of ethics as a planning instrument brings a host of advantages, which combine with the gains of participation: e.g. increased commitment and responsibility, decreased need for control, identification with the organisation, autonomy, etc. Participation is indeed an integral part of their communicative system:

“Very often, management literature places the manager outside the system which he controls. Our view is the opposite: management is part of the system and derives authority by participating in the conversation of the system.” (Pruzan & Thyssen (1990), p. 145)

This approach simultaneously guarantees *procedural fairness* through the respect of the individuality and autonomy of the participants and leads to the *substantive outcome* of a

shared vision. Though the articulation between both concepts would need to be investigated further, we would like to suggest that participation to developing consensus and fostering ethics as a shared value horizon would altogether (1) acknowledge the multi-dimensional character of participation and (2) take the diversity of, and the interrelationships between the individual, organisational and societal actors into account.

There are two main reasons for this. On the one hand, in an increasingly complex environment, participation to technical decision-making outside one's immediate work environment is increasingly difficult. On the other hand, a manager 'caring' for his subordinates needs diagnostic skills that are not readily available within most organisations. Participation to value-setting can help us to simultaneously shift our focus towards participation on a non-technical level, and give people the opportunity to express their needs in order to shape the pivotal norms of the organisation. Since the conflicts of interests, e.g. between workers and shareholders, are inherent to our economic system (Toña (1998)), participation cannot be expected to integrate these conflicting interests, but a shared value horizon could help to mediate the conflicts, and thereby defend the weaker parties' interests. Once a consensus on the normative level is reached, we could rely on the particular (participative) structures present in each firm to translate the values agreed upon in the day-to-day operational business and in the longer-run tactical or strategic decisions.

The quality of the social relationships is of primary importance for this approach, because the consensus on a shared value horizon is builded through interaction and dialogue. A constructive dialogue process is only possible if the interpersonal relationships are conducive to it. Conversely, stressing shared values helps to build good quality social relationships. However, while this builds on relational insights, the development of a shared value horizon goes further than the development of a caring organisation. Indeed, the shared value horizon provides all organisational members with a higher level referential scheme (or shared context) that gives them guidelines regarding *when, for whom and to what end* they should 'care', and - more importantly - allows them to set themselves other values than that of 'caring'.

V. Conclusion.

Since differentiated goals and values are inherent to all organisations, theories of participation should take this diversity into account. This means that participation should be, at least partly, goal-oriented, and not only task-oriented. We have argued that this does not imply that all workers should participate to the strategic decisions of the corporation, but rather that they should be given the opportunity to participate to the definition of shared values. The competences and the 'technical expertise' required for this are within everyone's reach, for everyone lives in a realm of values. Though the complete disappearance of ambiguity is assumed not to be possible, nor desirable, it seems that some minimal consensus on the corporate values and the strategic orientations has to be found. We suggest that participation can be conceived as a way to achieve such a consensus between the participants. However, the relation between participation and consensus needs to be assessed empirically (Koopman e.a. (1993)). More research is needed to establish whether a shared vision, allowing moderate amounts of disagreement, is conducive to successfull business.

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