Varieties of industrial democracy- beyond neoliberalism or not?

The Special Issue Editors' response essay

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We, the co-editors of this Special Issue, aim to promote the expansion of organizational democracy within the global industrial system as a superior and more humane alternative to a neoliberal model incapable of seeing beyond short-term profit-maximizing no matter what the human or environmental cost. We want to reinforce dialogue and debates about the possibilities of sustaining and expanding industrial democracy and therefore social democratic institutions that are under sustained attack by the current neoliberal domination of the global economy. To support this effort, we asked three well-known experts on industrial democracy and on Action Research to write comment essays in response to our comparative paper. We proposed the following issues as guidance to the respondents and were fortunate in receiving thoughtful and challenging responses from all three.

- These are the prompts we sent to the respondents.
- If industrial democratic systems are not one-size-fits all, how can new efforts in this direction learn from the histories and structures of existing successful systems?
- It is clear in the cases that we presented that culture (ethos and worldviews) is an important resource and component in the success of such systems. How do new efforts build a culture that sustains an industrial democratic effort without hobbling its entrepreneurial capabilities and how does this cultural baseline evolve over time in response to changing circumstances?
- What do unionized environments and non-unionized cooperative systems have to learn from each other about the balancing of the interests of labor and capital in competitive enterprises?
- How are we to understand the complex and dynamic relationship between organizational cultures and socio-technical systems that such organizations are always trying to balance?
- Given the detailed agreements and complex structures to manage the relationships between labor and capital revealed in both cases, how can new startups or transformations of existing organizations learn from these structures of political and socio-technical participation and not have to repeat all the trial and error that led to the consolidation of the systems we have portrayed?
- Are there boundaries or scales beyond which industrial democratic systems cannot survive or to which neoliberal capitalist organizations are better suited or not?
- The responses we received were quite different but complementary in interesting ways. We have ordered our comments on the responses to create a narrative line through them and to offer readers a way to engage in the dialog about these issues.

1. Bob Dick's response essay:

Bob Dick′s essay, in addition to being a model of detail and clarity, focuses on complexity, dynamism and organizational thinking and practices in tension with an increasingly dynamic, even turbulent environment. Dick focuses on the ways organizations can and must adapt and transform to deal with complexity. To support his arguments, he reviews an array of quite different examples to show how it is possible to facilitate coordination within and between groups in a variety of different organizational settings.

We agree with Dick′s claim that the world features ever greater levels of complexity, a complexity refers not only to the quantity of factors to be taken into consideration but to the amount and dynamics of the interactions between them. Coping with complexity is possible but not by following conventional hierarchical and bureaucratic models that can only handle situations of long-term stability and relatively linear problem sequences. Where dynamism and complexity reign, broad acquisition of knowledge and engagement across all levels of an organization is needed along with high tolerance for trial-and-error projects that seek to find and enact adaptive solutions to these challenges.

Dick affirms that "many current organizational decisions are based on assumptions that are a reasonable fit for a less complex world." (p. 11) We agree that many organizations operate in terms of linear planning and use mechanistic and hierarchical models built on outmoded ideas about organizational culture and structure. They particularly remain ensconced in hierarchy and fear the autonomy of people throughout the organization. Staying with his argument on complexity, Dick suggests that greater autonomy and more efforts at direct coordination are better suited to dealing with complexity.

Since mechanistic and hierarchical models persist, Dick examines what keeps us attached to dysfunctional models. Taking up perspectives from the literature on organizational learning, he gives examples of the difficulties many individuals and organizations face when required to respond flexibly and openly to external and internal threats. These defenses and their tendency to mire organizations in maladaptive behavior are well known in the literature on organizational learning.

Dick′s exposition also relies on a presentation of the facilitator-institutional entrepreneur who is key to setting up a participatory process and moving it through the initial stages but who then relinquishes control and places full responsibility for the process on the local stakeholders themselves. We agree that this role is vital and that we have not emphasized it in our own analysis in this special issue, but then again, the organizations we have presented are not newcomers to participation systems. They are in phases well beyond what Elden (1979) described as the "do-it-yourself" phase with devolved and institutionalized systems for participation and adaptation.

The importance of culture (broadly understood to include the elements of concepts about democracy, hierarchy, individual worth, etc.) is highlighted in Dick′s analysis. We agree completely but caution against a pronounced tendency in the literatures on industrial democracy to try to limit the possibility of industrial democracy to locations that are culturally favorable. We will take this up again later in our comments as it is an issue that comes up in all three response essays.

What Dick renders as "trial and error" processes seem to us to be better captured as engaging the ideas, experiences, and motivations of a broad array of stakeholders in developing proposed improvements in exiting practices and adaptations.

The examples Dick gives of "corporate rebels" do raise the question about why these successful organizational practices do not diffuse more broadly and even, in some cases, are eventually overturned in their own organizations. This is indeed a central question to address. We argue that it is not solved by slavish imitation nor necessarily guaranteed by economic success. The diffusion and consolidation of participatory democratic alternatives to Tayloristic neoliberalism remain as a central challenge to face. We are deeply concerned by the inability thus far in the history of capitalism of these documented successful and humane organizations to create a broader social movement that challenges the global hegemony of neoliberalism. In our main essay, we have focused on the combination of political and socio-technical participation, their relationships to larger economic, political, social, and cultural contexts and the path dependent developments that have enabled them to succeed. How to get beyond the individual successful case remains a key issue for us.

2. Shankar Sankaran's response essay:

Sankaran′s ability to bring his combination of an engineering, business, and action research backgrounds offers three quite different and potentially complementary perspectives to bear on our essay. His response combines systems theory, institutional theory, and a look at governance issues. These systems perspectives are compatible with those of Bob Dick as well.

While systems theory has a respected place in a variety of action research approaches, Sankaran′s framing focuses on specific versions of systems theory and extends the arguments in an interesting way. Sankaran deploys the analytic frameworks of the Viable Systems Model (Beer 1984) and Soft System Methodology (Checkland 1989) to compare both cases. The Viable System Model focuses on the creation of sustainable organizations able to survive changes in the external conditions for operations (market, technology, access to qualified personnel, etc.), much as Dick also argues. In this particular model, organizations that accomplish these goals do so by setting up a variety of organizational subsystems in an intentional way. They consist of a metasystem for developing policy and strategy and building a set of daily coordinated organizational activities, and then auditing the results on a regular basis. Applied to a business organization, it means that a set of subsystems are put in motion and then coordinated to create an adaptive and dynamic response to external conditions. The sustainability of an organization depends on its capacity to open its subsystems to interactions with the environment to adapt to ongoing changes.

The VSM model provides an interesting frame for comparing both cases as does its reliance on sustainability. What is less clear and remains to be developed is an understanding of the dynamics of continuous renegotiation through communication and key negotiations about meaning and goals. These are issues that involve negotiations about power within the organizations themselves, issues that are extensively discussed in our case presentations.

As we understand it, the Viable Systems Model is basically intended to be applied to individual companies/business organizations. Applying this perspective to the larger-scale

participation systems with multiple parts and levels is necessary and we recognize that it is not a simple task. For us, this is a key consideration in future work because broad participation in larger-scale multi-level organizations has different dynamics from participation within the confines of an individual organization. Our case presentations try to show something about the way those larger linkages work.

We do think that the intelligence subsystem is quite important. It is amply present both in the Norwegian and Mondragon cases but quite possibly we did not emphasize it systematically enough in our presentation. There is no question that future scanning functions of the metasystem are vital and can enhance or diminish the capacity of the organization's strategic decision-making and policy. We pick up this thread because we think that both of the cases we presented do have elaborately developed intelligence systems for anticipating and addressing the future.

In the case of Mondragon, for example, intelligence subsystems, namely, organizational structures aimed at dealing with cooperative firm's future challenges are not, mainly, structured at the level of the individual cooperatives. Rather, they are heavily emphasized at the level of whole Mondragon system. Mondragon has 14 different I+D centers and a university all collaborating in projects aimed at anticipating future developments affecting the sustainability of the cooperatives of the group[1].

It is true that the connection of these systems to day-to-day activities and coordination might be difficult precisely because anticipation of the future and daily operations are enacted on different organizational levels (the individual cooperatives and the cooperative group). This means that more needs to be said and documented about the way innovations benefit from knowledge and expertise distributed among worker members. We know it moves downward from the larger Mondragon system. We know less about the way it might move upward to inform the larger system.

Institutional theory

Another perspective employed by Sankaran is institutional theory (Scott 2014). Institutional theory (specifically the concept of isomorphisms) is used to study sustainability in the two cases. The institutional perspective contains three pillars: influence from external forces and organizations, imitation of successful organizations, and, and the use of standards/practices to obtain legitimacy. Sankaran concludes that in both systems, cultural and cognitive elements allow for coping with change. Shared core values provide stability and meaning needed to accomplish the necessary transformations. He affirms that several of the processes used in both cases "reflect the care taken to protect workers even during challenging times indicating that these are value-based organizations." (p. 12). This perspective makes sense to us though deploying it properly would require a good deal more effort in institutional ethnography.

Neoliberalism

Sankaran states that both are examples of neoliberal organizations, an argument that came up again in Blasi and Kruse′s contribution. His argument is not straightforwardly stated but we deduce that Sankaran believes that the implementation of measures based on values beyond mere financial benefit to the enterprises, as well as the implementation of measures facilitating worker participation, are insufficient to get us beyond a neoliberal model. Without processes

1 For example, see: https://innovative-thinking.mondragon-corporation.com/?idioma=en

altering governance, he does not think that such organizations qualify as an alternative to the neoliberal model.

We understand the argument, but we disagree. It is true that the rise of "responsible autonomy" among work teams could be interpreted in the context of increased power of management vis-à-vis workers. However, the causality here is not obvious. It is not clear why the opposite argument is not true. Our comparison showed that greater participation and autonomy in the workplace (socio-technical participation) needs to be accompanied by greater participation in strategic decision-making (political participation) and that both are necessarily intertwined in the context of organizational deliberations. To state our disagreement flatly, we do not see why political participation is diminished through socio-technical deliberations empirically or logically.

We do agree that being value-based does not make these organizations different *per se.* After all, neoliberal organizations also have a value base, whether we accept those values or not. The question is which values are central to the different kinds of organizations. In our examples, both companies aim to produce profits. They are not social movements, nor are they NGOs. However, we disagree that the subordination of profit (or returns to capital) to returns to labor as guiding criteria for the business model of a company can be understood as a feature of a neoliberal organization. If the neoliberalism of Milton Friedman and his followers has any core meaning, it is that making profits for capitalists is the only goal that matters, no matter how labor has to be treated to get those profits. We show how the basic principles of respect for and protection of labor provide stability and meaning in the face of change and challenges faced by these organizations, challenges like downsizing in the face of the COVID-19 pandemic. This same point comes up in Blasi and Kruse′s essay and so surely this is a debate worth having in more detail.

3. Joseph Blasi and Douglas Kruse response essay:

Blasi and Kruse offer a variety of perspectives in response to our essay. One focus is on federations and large-scale organizations, a perspective somewhat different from that offered by the other respondents. Given their wealth of experience in such environments, they emphasize the combined importance of both top-down and bottom-up consensus building. In effect, this emphasizes deliberative processes as a key component in such systems. They also emphasize the importance and value of representation in decision-making bodies as a doable, practical, and feasible way of achieving democratic organizational dynamics in large firms.

They emphasize the idea that a too exclusive focus on political participation can discourage attention to the development of participatory work processes within the organizations. This potential weakness exists and needs to be guarded against with care. It is too easy to export production problems to the political structure of an organization rather than making the socio-technical effort of learning how to resolve them *in situ.* While this is a real problem, it is not a law of nature that this will happen. A variety of institutional safeguards have been developed in both of the organizations we present to prevent this dynamic from developing or for curtailing it where it rears its head.

Decision-making efficiency and effectiveness

Blasi and Kruse make the common argument that collaboration/participation takes time and that this can prevent efficient operation. The idea of the inefficiency of democratic decision-making has a long history. It is often used to short-circuit participation in organizational decision-making. However, there is a less extensive but valuable literature that argues the opposite position. To give one example, going back to the early 1980 s, when the Japanese automakers suddenly challenged US carmakers for markets, research on organizational decision-making in Japanese factories became important. Richard Schonberger, in *Japanese Manufacturing Techniques* (1982) pointed to the long consensus-building process in Japanese factories followed by a quick and complete implementation. He contrasted this with the United States dynamic of making and imposing quick decisions followed by very poor implementation or even sabotage. The difference is between the READY, AIM, FIRE school of action and the READY, FIRE, AIM school of management. Obviously, there is more to be said about this but the time spent making good and therefore sustainable decisions may well be more efficient than quick decisions that either are not effectively implemented or are actively resisted within organizations.

Culture and identity issues

As we have commented earlier in this response essay, cultural identity-based arguments about organizational success are very slippery. If a cultural predisposition to collaboration, participation, and solidarity were necessary for industrial democratic organizations, any place thought not to have such a "culture" would be condemned to be neoliberal. This argument does not square with our cases. Mondragon is a very large system but it is still far from being the only or even the dominant form of enterprise in the Basque Country. If Basque culture alone were the explanation for the Mondragon cooperatives, then all Basque enterprises should be industrial democracies. A similar issue arises in Norway where neoliberal politics and enterprises are amply present nationally and constant pressures in the direction of neoliberal policies exist.

Our case presentation shows the slow, incremental and complex socio-technical and political dimensions of the development of the Norwegian industrial system since the 1930s. This long term, highly contextualized set of developmental processes with their path dependencies cannot be handled by the claim that Norway has "a worker-centered ethos with deep cultural and national roots".

We do make the case that organizational culture and ethos matter greatly. We do not, however, argue that they are a precondition for industrial democratic development. These cultural features themselves can be a developmental product of working out patterns of socio-technical and political participation that enhance cultural commitments to solidarity and fairness. This is a complex issue and it merits giving more attention to deeper understanding of the relationships between culture, organizational cultures, industrial organization and policies and the history of particular developments. These arguments are also why we insist that every case has to develop in its own context, with its own resources and conditions, and unique history. Learning from other cases is possible but unselective imitation is not adaptive.

The argument that Blasi and Kruse put forward, that Norwegian industrial democracy will shrink necessarily as mechanization increases does not take into account the richly documented

history of Norwegian industrial democracy initiatives in shipmanning, oil platform design, health services, social services, and other sectors. Socio-technical systems design has demonstrated repeatedly the ability to continue supporting the welfare of labor in the face of capital.

Outsourcing production, an issue in Norway and in Mondragon is a very different organizational problem from mechanization. It does present significant organizational and cultural challenges to participatory systems and they must be addressed. At the same time, we doubt the problems are more easily resolved in neoliberal enterprises that at present cannot even manage to hire the labor they need at any price. The track record of both Norway and Mondragon in addressing such problems suggests that we should not be hasty in judging that their systems cannot be adapted constructively to deal with these challenges too. Both systems are hard at work in seeking constructive solutions to these problems.

4. Complexity and sustainability

Dick's essay resonates well with a lot of AR practice and brings out significant aspects, among them the emphasis on experimentation and local freedom. "Scale is an issue, although it can be sidestepped" he argues, and on this point we differ. When there are tens of thousands of people in the organizational systems we are talking about, there are likely to be consequences of scale that are not easily sidestepped. We think it is necessary to ask if larger organizations/systems have a greater need for structures. If so, then the next question is whether "structure" must mean "hierarchy". As we have analyzed the cases, we see a form of coexistence between local areas of freedom, on the one hand, and experimentation and adaptations to larger systems also through structural couplings, on the other. The viability of this coexistence emerges through the dynamic interaction between socio-technical and political participation. As Adler and Borys argue, bureaucracies may be both "enabling" and "coercive" (Adler & Borys, 1996). Through the interaction between socio-technical and political participation, an agenda of broad-based experimentation and willingness to improve meets an agenda of negotiation, decision-making and governance constantly and on several levels – in an enabling way, we might say. The cases are not perfect, but they show that it is possible to create a form of dynamic alignment between experimentation and choice of direction, between participation and governance.

And just as Dick's reading helps us make a point about size and structure, Sankaran's helps us make a point about agency in dynamic systems. In the two cases, agency is not singularly located in a team, department, company or group (with the others being seen as the "environment"). Rather agency is something that is shifting. It alternates and interacts between system levels, playing itself out in the deliberations, decisions and actions that are created in the dynamic cogeneration between socio-technical and political participation at many levels, all the while attuned to the ethos, custom, historical path dependencies and situatedness within institutions.

What about the reuse of the findings, then? Are they just stories of "star cases" with little ability to convince broad groups of other actors and therefore not enough, as Gustavsen argued (Gustavsen, 2003)? While Gustavsen made a valid point, we argue that our described cases are not "merely cases". They are examples situated in interactions within systems, in living

interaction, right up to the political economy level. This means that they are both individual and overarching cases. And secondly, if it has been possible to create alternative conditions in some cases, then it is illogical to argue that it will not be possible in others.

Bob Dick′s invocation of complexity and turbulence as requiring less hierarchical and mechanistic organizations is surely right. A key implication and value of systems models generally, and of the dynamics and structures of our two cases in particular, is that they emphasize environmental and organizational interactions in dynamic relationships. There are no perfect adaptations, only ongoing responses to changes from within and without. This makes clarity about the regulative and normative ideals that operate in companies crucial in their ongoing adaptive processes. Emphasizing this goes hand in hand with the sustainability perspective that is highlighted in both VSM and institutional theory arguments raised by Sankaran.

Seen in another way, this involves an expansion of systems theory to the planetary ecosystem into which these firms must fit. While the Norwegian social partners and the Mondragon members have standards about the appropriate treatment of people, neither is fully clear about the link between that model of humane work and sustainable business practices and the possible tradeoffs going forward. We think this might be one of the key issues for the sustainability of their models in the years to come.

We have claimed that, within the capitalist regime, we can identify organizations that are so different in their actions and effects in terms of quality of work, degree of democracy and responsibility towards the environment that it is justified to label them as significant and sustainable alternatives to the generalized neoliberal orthodoxy. Not all of our commentators will agree with us on this, but we think this disagreement is worth having and we hope others will join in the discussion.

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