

The Sociology of Australian Business 1970-2005: Blending Class Theory and Empirical Research

Author

Alexander, Malcolm

Published

2004

Conference Title

TASA 2004 Conference Proceedings: Revisioning Institutions: Change in the 21st Century

Rights statement

© The Author(s) 2004. The attached file is reproduced here with permission of the copyright owner for your personal use only. No further distribution permitted. For information about this conference please refer to TASA website or contact the author.

Downloaded from

<http://hdl.handle.net/10072/1972>

Link to published version

<http://www.tasa.org.au/conference/2004/>

Griffith Research Online

<https://research-repository.griffith.edu.au>

The Sociology of Australian Business 1970-2005: Blending Class Theory and Empirical Research

Malcolm Alexander
School of Arts, Media and Culture, Griffith University
M.Alexander@griffith.edu.au

Abstract: A sociology of business needs to work with sufficient detail to capture the actual (lived) differentiations within the world of business but state its findings at sufficient level of generality to have theoretical interest. Bob Connell's *Ruling Class, Ruling Culture* (RCRC) was a model of such an exercise. This paper takes RCRC as an initial exposition of the sociology of business in Australia and the position of business in the system of social and political power. The paper examines RCRC in terms of its approach to two perennial issues for a sociology of business: its blend of objective and subjective traditions of class analysis to create a meaningful narrative of class history and, secondly, its use of Gramscian concepts of hegemony to place the professional, media and 'middle class' into a Marxist framework of class conflict. The paper then considers Leslie Sklair's recent theorisation of the 'transnational capitalist class' and the extended account of Australian globalisation it contains. The paper suggests that Sklair's theory is a compatible extension of certain aspects of the theory of RCRC. The paper argues, however, that Sklair's account of the sociology of Australian business fails to adequately consider the findings of power structure research in Australia in the 1980s and 1990s. The paper looks at how this task is foreshadowed in RCRC and provides some suggestions for blending these empirical matters into a theoretical account of the sociology of Australian business in the last three decades.

Introduction: Research and theory in the sociology of business

The sociologist researching the business world is confronted with an excess of information. Stock exchange and corporate affairs requirements provide a constant flow of company reports and glossy prospectuses. Daily debate in government and policy institutions, the news and public affairs reports devote a significant proportion of their time and effort to economic issues and business activity. Even media and celebrity columns cover prominent business personalities and their doings. This constant scrutiny and discussion of business makes use of social groupings and subdivisions. Sometimes these subdivisions are institutionally defined industries or sectors (the 'mining industry', the 'banking sector' etc.) but sometimes they are perceived social divisions ('foreign investors', 'the big end of town', 'the corporate

sector' etc.). The size and complexity of business in capitalist society also makes it imperative to posit groupings and subdivisions for any theoretical analysis. The sociologist of business accepts both the institutional defined and social perceived subdivisions where these are meaningful for the participants. Conversely, however, the groupings need to be wide enough to be theoretically interesting. Bob Connell's *Ruling Class, Ruling Culture* (RCRC) (Connell 1977) was a model of such an exercise.

Theorising the business world in terms of groupings and subdivisions poses the theoretical task of explaining how they interact and fit together. This may be seen as a process of social co-ordination facilitated by directorship and other social networks and made overt in peak organisations such as the Business Council of Australia (BCA). A second theoretical approach is to argue that fundamental values among business actors are instilled and sustained by broader capitalist class socialization in schooling, career and social institutions. This is the position adopted in *Ruling Class, Ruling Culture* (RCRC). A third possible approach is the neo-corporatist model of state-sponsored integration of major business actors which is considered but left aside in RCRC.

This paper considers empirical research on networks of interlocking directors in Australia from the 1970s to the present in the light of RCRC's handling of this problem of differentiation and fractionalism. This discussion is built around RCRC's statement of class theory, cultural hegemony and the role of the middle class.

Class analysis and theory in RCRC

The theoretical exposition of RCRC reflects the issues of its time but they are perennial issues of sociological theory and the sociology of business. RCRC provides a clear statement on two perennial issues for the sociology of business. The first

relates to the basic principles of class analysis, particularly the apparent choice between objective and subjective approaches. The second perennial for Marxist inspired theory is the theorisation of the middle class.

The opening essay of RCRC discusses the concepts of class in Australian social science to the 1970s. With respect to prior sociology RCRC dismisses the raw empiricism of stratification research that theorised multiple and shifting class boundaries as revealed in household surveys of income, education and attitudes (RCRC: 23-34). Instead it sees class as grounded in the objective conditions of capitalist society and, thus, the task of the researcher is to capture the lived experience of objectively grounded classes. The lived experience is partially captured by survey material but needs a historical dimension and presentation to come alive. This goal is probably what we now identify as social history.

This theoretical approach can also define the narrative task of the sociologist. It suggests they write to the perceptions and concerns of a class to which research gives them access. But a sociologist of business is confronted with a difficult choice. Do they write to the business class they are studying or do they use their research and knowledge to expose this class to its critics and class opponents?

The other theoretical elements of RCRC suggests further options for this narrative task.

RCRC has three sections. The first contains two theory chapters while the second section (Ch. 3-6) discusses divisions and conflict within the business and political world, our initial point of concern. The last section addresses issues of culture and intellectual hegemony. In its chapters (Ch. 7-10) Connell uses perspectives provided by Gramscian theory to move beyond Marxist conundrums about the role of professional and middle classes. The last chapter (Ch. 10) argues that a middle class

collectivity is sustained by the media and popular culture. It is not a Marxist class with a distinct place in the objective structure of capitalist class conflict, it is, rather, a class drawn into the ideological perpetuation of capitalist ownership by 'a mythologized version of daily history of the [capitalist] social order' (RCRC: 204). The ownership and institutional structure of media institutions guide the perpetuation of this mass cooptation that works at a level fundamental to the life and careers of the many middle class professionals.

This concern with culture set RCRC apart from the structuralist turn that was a large element of Marxist and social science theory in the 1970s and 1980s. Through the influence of Althusser and Poulantzas social science theorising about the ruling class in capitalist society was confined to claims about the objective conditions of class conflict as read by theorists and dismissive of those who sought to find any organisational basis for ruling class identity (Domhoff 1996).

RCRC describes the social institutions and mechanisms through which a collective consciousness for the 'middle class' is sustained. It integrates the Gramscian acceptance of culture with Connell's related sociological work on socialisation (RCRC: Chs. 8, 9). It also describes the perpetuation in the mass media of myths of social predominance of business and business leaders. This story was taken into the 1980s by Graeme Turner (Turner 1994).

A sociologist of business thus has the option of writing to the collective perceptions, experience and life views of this 'middle class'. Even within the business world the majority of actors are professionals. The research task is thus to understand the ambiguities, issues and concern of these elements of the 'middle class' working in the business world.

Elite studies and ruling class theory

We now consider empirical research on interlocking directorates in Australia. We suggested that interlocking directorates are used in theorising about structural differentiation and social coordination in the business world. At the time RCRC was published the main paradigm for researching differentiation was still elite studies. RCRC contains an important critique and alternative theory to elite studies. This alternate approach is relevant to theorising about interlocking directorates.

Elite studies have been a long-standing methodology in political science since C.W. Mills *Power Elite* (Mills 1956). The elite studies methodology, usually adopted for practical rather than theoretical reasons, embeds a basic assumption that ‘elites’ in different institutional spheres will have different values, identities, career paths and outlooks. This embedded assumption thus creates the ‘problem’ of explaining how coordination or a common viewpoint can arise across these separate elites. The network of interlocking directors is often cited as a mechanism of such coordination. RCRC subverts this whole problem by, in effect, dismissing the assumption of plural paths of socialization and careers implicit in elite studies. It argues that the leaders of business and political parties do not advance in different social environments despite the institutional segregation of these public domains. In a brilliant theoretical move it argues that long-term, historical structural differentiation fostered a functional separation, within a fundamentally cohesive ruling class, between leaders of business and political institutions. These two groups are not demarcated by identity and institutional difference in the way that elite studies imply, rather they develop modes of operation, organisation and coordination that are grounded in the essential complementarity of their different activities, professional skills and public careers (RCRC: 52-3). Thus the theoretical question is not how the separate sides of the

ruling class integrate, it is simply a question of seeing what form this differentiation takes and the lines of demarcation, disagreement and cooperation that emerge at any particular time.

This theoretical move subverts assumptions of institutionalised differentiation embedded in elite studies. But this move does not, of itself, prove the alternate assumption of ruling class theory that there cannot be a fundamental differentiation between business and political leaderships. There is probably no period of Australian history that would exemplify such schism but it has probably been the case in other societies.

Ruling class theory argues that socialisation in a capitalist society maintains a deep and unassailable fundamental commitment to the capitalist worldview and values among the Australian business and political elite. RCRC has two excellent chapters on class and personal socialisation (Ch. 7, 8). However, it is the analysis of media and the public culture in RCRC (Ch. 9) where he adumbrates important new dimensions of this process that were to become more prominent in the 1980s. Connell notes that the media portrays and fosters a mythology of leaders and leadership. The images and presentation of political events and figures contain

...the subliminal message: be satisfied, the world is in good hands; though we have problems, there are decisive, competent men making investigations and taking decisions in your best interests. (RCRC: 201)

Although portrayed here as an elite quality, management theory of the 1980s transformed leadership into a generic management quality, an extension of flexibility and adaptability. 'Leadership' blurs the separation of institutional elites. 'Leaders' can move easily institutional spheres since the generic qualities override institutional socialisation. Communication and public debate between leaders is also possible as

they share that common element of identity. The Hawke government developed such practices to a fine art in the 1980s.

Empirical research on boardroom networks: the professionalisation of the managerial elite

By theoretical fiat the issue of social coordination across business sectors and groupings is not a narrative problem for RCRC. It thus gives no priority to the network of interlocking directorates. Connell did however review the existing literature around interlocking directorates. Interlocking directorates create a network of social contact among all members of boards linked by company directors holding positions on two, three, four or more boards. Some theorists saw this network as a forum of business elite self-organisation and Connell summarises the research by Hylda Wolfe (1967) on interlocking directors and boardroom networks of the 1960s (RCRC: 41). However RCRC never suggests that this network is a mechanism of coordination in the ruling class or its business wing. RCRC's description of ruling class fragmentation and uncertainty from 1970-72 (Ch.5) has no mention of this network; neither does the description of the mobilisation of business in the anti-Labor campaigns from 1973-75 (Ch. 6).

This absence is a stark contrast with US and international theorising about the organisation of capitalist classes in this era. In the US the theory of 'financial hegemony' (Mintz and Schwartz 1985) was widely accepted as a valid statement of capitalist class organisation. John Scott (1997) also takes it as the basic template for all 'Anglo-American' systems.

We must note that in this international theory the word 'hegemony' has none of the cultural dimensions critical to RCRC's framework and its use of the word. Rather, 'hegemony' simply refers to the centrality of banks and financial institutions in the

network of corporate interlocking in the US and the strategic advantage such centrality implies. A weaker version of the theory was formulated by Useem (1984) who saw these central boards as the vantage points from which well placed business leaders could get an overview of the general issues confronting business such as profit levels and the challenge of environmental activism and use their board and other networks to develop business-wide responses to these issues. In the 1990s the challenge facing business has shifted. The demands of large-scale investors now force corporations and business leaders to adjust their public image to satisfy the new demands of 'investor capitalism' (Useem 1996).

In Australia Murray (Murray 2001) has argued for the validity of a model of financial hegemony. She finds, however, that banks are not central in the network of company interlocks (Murray 2001: 12-13), a finding also noted by Alexander (Alexander 1998). Murray then examines the share registers of the largest 30 publicly owned companies and finds significant levels of holdings by nominee companies. These holdings, she claims, represent 'banks, mutual insurance or superannuation funds and occasionally individuals' (Murray 2001). These 'pivotal' statistics are, for her, evidence of the dominance of 'financial capital' in Australia. These claims rest on very doubtful assumptions about the significance of nominee holdings. In any case, the concept of finance capital Murray presents is closer to Hilferding's concept of bank control rather than the model of a looser, strategic, bank 'hegemony' proposed by Mintz and Schwartz and John Scott.

Alexander looked at the types of companies whose boards were included in the central network of interlocking directors among the top 250 Australian companies of 1991 (Alexander 1998). The network was strongest among the largest publicly listed companies and extended to only some privately owned companies, (this category

includes most foreign-owned companies) and government owned enterprises. Banks were among the large listed companies but had no special prominence.

There is therefore little evidence of the level of bank centrality in the Australian directorship network on the scale that made it fundamental to the US and international theory of financial hegemony.

In his most recent study of interlocking directorates Alexander (2003) takes a new approach and looks directly at the interpersonal networks among directors created by interlocking. This is not the network of intercorporate relations used by the international theory of financial hegemony but the 'dual' network of interpersonal connections (Breiger 1974). Boardroom networks are investigated as forms of possible social organisation within the 'corporate elite'. This study reveals an interpersonal 'small world' network with reasonably short paths that links the majority of large publicly listed companies and their board members. The network was similar in scope and form to networks in the US and Canada although different in some details (Carroll and Alexander 1999; Robins and Alexander 2004).

This article also compares Australian networks of 1976 and those of 1996. This links recent data to the time frame of RCRC. Alexander looks at changes in both the network of intercorporate connections, the network studied by Mintz and Schwartz (1985), and the interpersonal network. Alexander finds that changes in the interpersonal network are not simply reflections of changes in the intercorporate network. He finds intercorporate linkage was not greatly different in 1996 from that in 1976. By contrast, the networking among persons increased significantly by 1996.

This latter finding suggests that there have been widespread changes in the communication practices and greater personal networking among company directors over this twenty-year period. This is not due to company boards pursuing greater

‘interlocking’, it is personal level practices, not board level practices, that have changed.

Alexander’s articles make no consistent theoretical claim about the network of interlocking directors in Australia. However I would like to make such a claim. I would nominate the changes documented in this last study as part of the professionalisation of the ‘corporate elite’ and managerial careers in the Australian business world. The observed changes in the directors’ (interpersonal) network reflect a consolidation of management professionals and directors as a cohesive social group. In an early article Alexander noted the importance of ex-CEOs on boards and the mechanisms smoothing the way for their move from CEO to multiple directorships (Alexander 1998). Professionalisation suggests that people with top management careers form a professional ‘college’, comparable to the medical profession. As a college they reinforce a sense of their professional expertise and worth. Their personal networks and internal self-recognition allow certain ‘leaders’ to emerge as public figures while their input into remuneration committees on boards allows for executive salaries and rewards to be raised to levels that reflect the ‘high standards’ of their professional identity; a standard well above that of other groups in the community.

The sociology of Australian business: Narrative directions

RCRC developed a sociology of Australian business as it was in the late 1960s and early 1970s and a narrative of conflict and change. This paper is the start of an attempt to extend the narrative adumbrated by RCRC to the present. One of the elements in this narrative will be the emergence of managerial professionalism as described above. This is only one of several elements in this narrative. Among other elements we must include Michael Gilding’s research on the ‘superrich’ in Australia (Gilding 1999; Gilding 2000; Gilding 2002) and Leslie Sklair’s work on the

transnational capitalist class and globalisation in Australia (Sklair 1996a; Sklair 1996b; Sklair 2001). There are also significant studies in business economics and political science as well as many journalistic accounts of business events and changes. For this paper, however, I want to consider how the theory of managerial professionalisation articulates with the themes of RCRC discussed earlier.

Like RCRC the theory of managerial professionalisation deals with cultural and intellectual dimensions of class analysis. It deals with social and institutional contexts that shape and direct social actors careers and their perceptions of social change. In an extension of the RCRC's analysis of the media it points to a public culture that supports capitalist values and leaders not only in formative socialisation but also in the production and reproduction of the careers of leading figures in the business world. The professionalisation of the managerial elite is thus part of the building of the 'middle class' that RCRC lays out.

The sociology of business that this line of analysis creates differs from political economy. This sociology of business will leave the prevailing theory of financial hegemony (or 'finance capital') to one side and bypass its embedded focus on the banks, finance companies and large corporations as the principal social actors in the business world. However, where institutional differences become the perceived lines of social differentiation and conflict information from this research tradition, and also from elite studies, becomes relevant.

The directors of large, publicly listed companies are one part of the world of business in Australia. Publicly listed companies are prominent in the public eye since they attract the interest of investors and the professional investment community. The reach of superannuation and pension funds now involves the majority of the population. But the world of big business has other important components in Australia. There are

many large privately owned companies, including foreign companies. Property development spawns large private companies that are mostly owned by Australians and one of the main sources of our 'superrich'. Once we move outside the world of big business there are many wealthy, innovative and successful 'small and medium enterprises' (SMEs) and beyond that a spectrum of small businesses making some of their owners wealthy but providing only a modest living for most.

Among these other sectors of the business world the managers and directors of public companies are not seen to exemplify business 'enterprise' or 'entrepreneurship'. Sometimes, indeed, they are lambasted as stodgy bureaucrats who go along with governments which impose increasing regulatory requirements and red tape that hamstring these essential qualities of business. From this perspective, the professionalism of managers of publicly listed companies is seen as extraneous to the Australian business world, not representative of it.

The consolidation of an informal 'college' of professional managers thus has the potential to mark an important social differentiation in the Australian business world. This distinction has a long pedigree. Managers are stewards of capital, they cannot see wealth as the own creation in the way a self-made member of the superrich will do. Their self-identity has elements of professionalism that link them to the public culture of the 'middle class' as theorised in RCRC. To construct a sociology of business in Australia, therefore, one possible way of building a structured narrative is to focus the ambiguities around professional managers and the axes of tension between professionalism and capitalist 'enterprise' inherent in their social position and how these shift and change over the period since the publication of RCRC.

References

- Alexander, M. (1998). Big business and directorship networks: the centralisation of economic power in Australia. *Journal of Sociology* 34(2): August: 107-122.
- Alexander, M. (2003). Boardroom networks among Australian company directors, 1976 and 1996: The impact of investor capitalism. *Journal of Sociology* 39(3): 231-251.
- Breiger, R. L. (1974). The Duality of Persons and Groups *Social Forces* Vol 53(2, December): 181-190.
- Carroll, W. K. and M. Alexander (1999). Finance capital and capitalist class integration in the 1990s: Networks of interlocking directorships in Canada and Australia. *The Canadian Review of Sociology and Anthropology* 36(3 August): 331-354.
- Connell, R. W. (1977). *Ruling Class, Ruling Culture: Studies of conflict, power and hegemony in Australian Life*. Cambridge, Cambridge University Press.
- Domhoff, G. W. (1996). *State Autonomy or Class Dominance? : Case Studies on Policy Making in America*. New York, Aldine de Gruyter.
- Gilding, M. (1999). Superwealth in Australia: entrepreneurs, accumulation and the capitalist class. *Journal of Sociology* 35(2): 169-182.
- Gilding, M. (2000). The secret life of money: Exposing the private parts of personal money. *Journal of Sociology* 36(1): 122-123.
- Gilding, M. (2002). *Secrets of the Super Rich*. Australia, Harper Collins.
- Mills, C. W. (1956). *The Power Elite*. New York, Oxford University Press.
- Mintz, B. and M. Schwartz (1985). *The Power Structure of American Business*. Chicago, University of Chicago Press.

- Murray, G. (2001). Interlocking directorates: What do they tell us about corporate power in Australia? *Journal of Australian Political Economy* (47): 5-26.
- Robins, G. and M. Alexander (2004). Small worlds among interlocking directors: Network structure and distance in bipartite graphs. *Computational and Mathematical Organization Theory* 10(1): 69-94.
- Rolfe, H. (1967). *The Controllers: Interlocking Directorates in Large Australian Companies*. Melbourne, F.W.Cheshire.
- Scott, J. (1997). *Corporate Business and Capitalist Classes*. New York, Oxford University Press.
- Sklair, L. (1996a). Conceptualising and researching the transnational class in Australia. *Australian and New Zealand Journal of Sociology* 32 (No. 2. (August)): 1-19.
- Sklair, L. (1996b). Who are the Globalisers? A Study of Key Globalisers in Australia. *Journal of Australian Political Economy* (38): 1-30.
- Sklair, L. (2001). *The Transnational Capitalist Class*. Oxford ; Malden, Mass., Blackwell.
- Turner, G. (1994). *Making It National*. Sydney, Allen and Unwin.
- Useem, M. (1984). *The Inner Circle: Large Corporation and the Rise of Business Political Activity in the U.S. and U.K.* New York, Oxford University Press.
- Useem, M. (1996). *Investor Capitalism : How Money Managers Are Changing The Face of Corporate America*. New York, BasicBooks.