## To belong or not to belong – is that the question? New forms of coupling between organisations and the individuals and their consequences for careers.

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### 1. The Newly Self-Employed –Stories, Facts & Figures

#### <u>1:</u>

Time was, ambitious staffers were marked by a burning desire for a corner office and a key to the executive washroom. Today, some top employees have never set foot in corporate headquarters, and the executives who manage them wouldn't recognize them if they passed on the street. ... Consider that the average 32-year-old has worked for nine different companies, and 17 million Americans voluntarily quit their jobs to find better ones in 1999, according to a 1999 career survey by the Economist. Just five years ago, that number was 6 million. In such an environment, companies are realizing it's more efficient and more effective to hire workers a la carte, matching the right talent to the right task, right now. ... As with many trends in the Internet Economy, it's hard to measure the magnitude of this shift. Still there are some signs, such as the 8.2 million "independents" and 10.3 million self-employed workers tracked by the Bureau of Labor Statistics in a 1999 report. Other estimates put the number of independent workers as high as one-fifth of all employed Americans. It's clear that the freelance economy is here to stay. (Norris 2000: 212)

#### 2:

Of the 12 houses on the Januszes' block on Chestnut Avenue in Island Heights, New Jersey, five are occupied by individuals who work full-time at home: a potter, a mason, an Amway saleswoman, a title researcher, and the Januszes, who run the Medusa Scientific Corporation, a database and medical transcription company. "This is a wonderful place to live and work," says Stanley Janusz. Nationally, the U.S. Bureau of Labor Statistics reports that 4.1 million self-employed individuals were working at home in 1997, when the bureau completed its last Current Population Survey of home-based businesses. About half of these provide services to other businesses or individuals. (Bennett 1999: 10)

#### <u>3:</u>

A study of the continent's private employment agencies, carried out by McKinsey, points to clear signs that workers on flexible contracts account for 27.7 per cent of the total workforce - as many as 42m people. The largest percentage is the self-employed (14.8 per cent), followed by people on fixed-term contracts (11.4 per

cent). Only 1.5 per cent of workers (2.2m people) are working for an agency, although that sector had an annual growth rate of 10 per cent during the 1990s. The report suggests that these figures understate the extent of undeclared or "grey" labour market activities inside the EU. These are measured at between 5 and 50 per cent of hours worked. Germany's booming construction industry accounts for up to 45 per cent of all undeclared working hours. ("Survey - Classifies Supplement: Agencies show slow evolution" 2000)

Since the mid-nineties, the number of self-employed without any employees of their own has risen sharply: a recent study shows that about 2 million of this type of self-employed exist in Germany, 20 per cent of them coming into that status during the past five years (Spiewak and Uchatius 1999: 16). In all likelihood Germany is not playing a unique role, as two even more striking examples indicate:

- Most evident is this trend in *Canada*, where the number of self-employed increased by 119% between 1982 and 1998 (compared to a 53 percent increase in paid employment). Whereas 66% of new businesses had paid help (employees) between 1980 and 1989, only 10% of the businesses that started between 1989 and 1996 had "paid employees". Approximately nine-tenths of the job growth has come from entrepreneurs who work alone (Robertson and Mueller 1999).
- In *Ireland* self-employment has risen 60% in 1982-1997, compared to a 27% rise in employment (Euro-Business-Publications 1998).

Termed newly self-employed, one-person-employers, dependent independents or own account self-employed, there are many practical facets of this phenomenon. On the one hand, this includes the heavily dependent 'quasi-employee', e.g., in the area of mail and parcel services, who is legally an independent entrepreneur, but *de facto* cannot be distinguished from a regular employee in terms of integration into the work flow, using company property and logos, dependency on 'supervisors' etc. Thus, such persons often have the worst of both worlds, i.e., they combine the disadvantages of self-employment such as higher social security risks, e.g., no continued payment of salary in case of illness, with the disadvantages of employment, e.g., dependency on supervisors or limited scope of responsibility. On the other hand, this also covers highly skilled experts who work in short-term projects with a number of clients, often at the same time, and with earnings far above the average. For example, IT specialists contracted for specific projects fall into this category. A probable historical explanation is that it is mostly this latter side of new self-employment that is covered in the Anglo-American mass-media (and positively framed as *flexible*), whereas the German mass-media also deal with the disadvantages mentioned above (Spiewak and Uchatius 1999).

Some results suggest that there is a greater incidence of self-employment among workers with both low and high education. The newly self-employed are more likely than paid employees to fall into the lower and the higher earnings groups. One of the main causes for the rise in self-employment is not the new opportunities opened up by technology but a long-term decline in the opportunities available in the wage and salary sector (Kuhn and Schuetze 1999: 16f).

These new forms of employment are linked with a number of problems at different levels. At the societal level, questions of social security, pension problems, or the role of trade unions for defending the positions of these persons emerge. At the individual level, the social and psychological costs of highly individualised work arrangements come into the focus. At the organisational level, too, practical as well as theoretical questions emerge. The ability of current labour law regulations to cover these arrangements, the possibilities and the limits of influencing and controlling human resources that are located 'outside' the organisation, questions of motivational tools for such persons, the issue of loyalty, the short and long term effects of such arrangements for the qualification of the individual as well as for organisational learning or – similar to issues known from the network organisation debate (Nohria and Goshal 1997; Sydow and Windeler 2000) – the coordination of legally independent units are just a few examples of issues emerging here. More specifically, this phenomenon touches on the issue of *drawing distinctions and boundaries* between organisations and their environment.

Boundaries are a classic issue in organisation theory (e.g., Miles, Snow and Pfeffer 1974: 248; Weick 1985: 192) as well as career research (e.g., Schein 1971; Arthur and Rousseau 1996). Generally speaking, organisational boundaries constitute the border between organisations or between an organisation and its environment, respectively. They protect the organisation against unfiltered environmental influence and, at the same time, regulate the flow of resources, such as information, people, goods, money, between the organisation and its environment (Aldrich 1971: 285 ff.; Leifer and Delbecq 1978: 41; Scott 1986: 247; intra-organisational boundaries are discussed by Schein 1971: 404 ff.; more specific Maanen 1982; Maanen and Barley 1984: 295 ff.).

Organisational boundaries are usually vague (Miles, Snow and Pfeffer 1974: 248; Weick 1985: 192). The difficulties in determining organisational boundaries have been compared with the problems encountered in identifying the boundaries of clouds (Starbuck 1976: 1071). It cannot be automatically determined who are what belongs to an organisation and who or what does not. In other words, what is inside and what is outside of an organisation is not clear at all. This might sound surprising. However, if one thinks of specific forms of organisations like network organisations, or specific forms of production like an industry park concept where suppliers and manufacturers are located side by side or even under the same roof and so on, it becomes obvious that the identification of 'inside' and 'outside' requires a point or frame of reference. In the case of the clouds this point of reference might be a certain degree of humidity. In the case of organisations, specific theories or particular research questions can generate such a point or frame of reference. For example, social systems theory states very clearly that communications are the core elements of organisations, whereas people belong to the environment (Luhmann 1984a: 240; Luhmann 1988b: 171; Willke 1992: 29). Likewise, the determination of organisational boundaries will differ according to whether internal production processes or organisational networks are the focus of the analysis (Miles, Snow and Pfeffer 1974: 247 f.).

This paper deals with the issue of organisations drawing boundaries vis-à-vis individuals, i.e. the question of exclusion vs. inclusion of persons and the career-related consequences of drawing and bridging new kinds of boundaries that are the result of this new kind of ties between organisations and individuals. The core assumption of our paper is that traditional mechanisms of coupling, such as organisational positions and membership, are increasingly being replaced by new forms of coupling which still emphasise *the illusion of exclusiveness of inclusion*, but which do so via different mechanisms: projects take the place of jobs, membership is mainly temporary and no longer formalised or indicated by having a contract of employment but by a contract for work and services or service agreements (*'Leistungsvertrag'*). Thus, traditional coupling mechanisms between organisations and individuals become less important. At the same time, individuals need new kinds of capitals in the sense of Bourdieu (Bourdieu 1983b) to be able to compete successfully in this environment. In turn, this has clear effects on careers and career research. Specifically, we are asking:

- 1. Assuming that 'traditional' coupling mechanisms between organisations and individuals are losing importance, what functional equivalents are organisations developing in order to bind individuals to the organisation and to exert influence on them?
- 2. What kinds of capital do these new forms of coupling require?
- 3. What are the consequences of these new forms of coupling for career research?

## 2. <u>Theoretical framework: Organisations as social systems and capitals in</u> <u>career fields</u>

The theoretical framework for this paper is Social Systems Theory as coined by Luhmann (e.g., Luhmann 1984a) and its application and specification for organisation theory (e.g., Kasper 1990; Meyer 1994; Mayrhofer 1996). Some concepts linked with the work of Bourdieu are built into this framework (e.g., Bourdieu 1977; Bourdieu 1994) for an overview see, e.g., Brown and Szeman 2000; Swartz 1997) that already have been applied to career research (see Mayrhofer, Steyrer, Meyer et al. 2000), especially the notion of capitals.

#### 2.1. Organisational boundaries and structural coupling

Often, organisations and organisational processes are viewed from an open socio-technical systems point of view (e.g., Scott 1981; Stewman 1975). Social Systems Theory as developed by Niklas Luhmann, the late German sociologist, departs from this route. The theory of social systems sees organisations as autopoietically closed and consisting of communications or – in the case of formalised organisations – decisions, i.e. actions under the pressure of expectations. At the basal level they are not open to their environment, but autopoietically closed: they reproduce the elements they consist of out of the elements they consist of. Social systems are non-trivial machines that constantly alter their internal states and relationships (Von Foerster 1985a). From the outside – and all observers are outsiders belonging to the internal or external environment – it is impossible exactly to diagnose their functioning. As indicated, the modules of social systems are communications, actions and decisions (these three differ mainly with respect to the observers' position). Persons – more exactly: psychic systems – belong to the internal environment of social systems. They are a *conditio sine qua non* for social systems, but they reside outside and stimulate communications (Luhmann 1984a; Luhmann 1989).

In a widespread view of management the basic possibility of goal oriented management is not questioned. Though there are a number of difficulties, the use of ,good' management instruments leads to calculable effects in the system – here: the organisation. Social systems theory is much more sceptical in this respect. Social systems are not fully transparent and manageable. Attempts to push the system in a certain direction – in other words: management efforts – cannot rely on an adequate understanding of the system. Interventions through other psychic or social systems that necessarily come from the outside follow a different intervention logic than the logic of processes within the social system. Thus, an unbridgeable gap between intervening systems and the organisation exists.

This does not imply that management is impossible. However, the conception of organisations as autopoietically closed social systems has significant consequences for management efforts. Management of such systems can only be self-management. Interventions, i.e. management efforts from the outside of the system, for example by managers, are initially sheer environmental noise. Only after the system reacts to this noise, i.e. after the noise stimulates internal operations that in turn trigger further operations (communications, actions, decisions),

one can talk about a successful intervention. If and how the social system reacts to intervention noise and further proceeds internally does not depend on the intervening systems, e.g. managers, but solely on the system intervened in. From this perspective, management as an intervening effort fully depends on the autonomous, not forcible and not foreseeable processes of the system intervened in, e.g. a department or a work group. All-embracing fantasies of managerial omnipotence are not replaced by helplessness and impotence, but by a more modest and realistic view of the possibilities of management. The sovereign economic big boat captain going upbeat in rough seas with a sure hand on the tiller is replaced by the fragile managerial surfer on the wave of developments, who has to restrict him- or herself to stimulating offers and has to accept the ,eigenlogic' of the system. His managerial efforts may or may not be taken up by the intervened system and be further processed. Management from this perspective means first and foremost making offers to the system that are not part of the options and possibilities of the system, but may become so in the future. To do this, self observation and action have to be separated from each other to a greater degree, thus enabling the development of potential for self reflective activities in order to promote self organising processes.

Organisations as formally organised social systems are autopoietically closed in their basal processes. Nevertheless, it is evident that pure self-reference in the autopoietic processes, i.e. looking only within the system, is not enough. Beyond the internal horizon, communication processes have to relate the system to the external world, i.e. have to deal with finance and labour markets, global competitors, new legal regulations etc. Thus, external reference is essential, because pure self-reference does not provide organisations either with information or with resources. However, from the theoretical point of view it is beyond doubt that self referential closure is the prerequisite for external reference. The combination of self-reference and external reference that simultaneously refers to the internal and the external horizon is called accompanying self-reference (Luhmann 1984b: 604). Therefore, autopoietic closure of organisations is not an end in itself and does not negate environment. On the contrary, it is essential for social systems to relate to their environments. These relationships are formed and influenced by the internal structure of rules, the internal mode(s) of operation and the guiding differences used. Overall, one can define the relationship between social systems and their environments in a dual way. Systems are , without' environment in their basal structure, their self organising processes and their operative closure. On the other hand, they are dependent on the environment since the system enriches and interpunctuates its internal operations from the environment (Willke 1987b: 341). They need the environment as a condition for the possibility of continuing their autopoietic processes (Luhmann 1990: 36).

For organisations, autopoietic closure is essential for survival in a complex environment. The relationship between system and environment is characterised by a difference in complexity. This difference is the constituting force behind the existence of social systems. If there were no difference, there would be no system, but only environment. The question emerging is: how do social systems relate themselves vis-à-vis the environment, which part of the environment do they (re-)construct within the system and translate into the internal process logic of the system (Luhmann 1990: 32 ff.; Luhmann 1992: 38 ff.; similar Bühl 1985: 372 f.; Maturana 1986: 25)? From a systems theoretical point of view the answer is clear: via structural coupling. Structural coupling enables social systems to disregard many parts of the environment. Given the enormous number of possibilities, they are impressed only by very few 'instances'. Indifference is the standard reaction to most of the environmental incidents. It is very sharply selective towards the environment as well as towards its own possibilities of 'reaction' (Luhmann 1988b: 35). Thus, on the one hand structural coupling implies mutual dependency and selectivity. On the other hand, this also means an enhancement of the system's potential. Through structural coupling, people (psychic systems) or groups

(interaction systems) can provide organisations with complexity – and *vice versa*. In the language of social systems theory, the mutual provision of *eigen*complexity to enhance the complexity of the other system is called interpenetration (Luhmann 1984a: 286 ff.)

#### 2.2. Capitals

The three concepts crucial to Bourdieu's social theory are 'habitus', 'field' and 'capital'. Social fields identify the 'space' within which actors struggle for various potential gains, i.e. capital, according to clearly-defined rules. These rules may be internalised, i.e. habitualised, by way of socialisation. Bourdieu characterises the habitus as a system of general generative schemes that are both durable (inscribed in the social construction of the self) and transposable (from one field to another), function on an unconscious plane, and take place within a structured space of possibilities. Habitus is the dynamic intersection of structure and action, society and the individual (Postone, Lipuma and Calhoun 1993: 4). Social fields may be defined as the location of positions and the relationship between agents; this structure reflects the distribution of power based on the distribution of capital. The purpose of Bourdieu's concept of *field* is to provide the frame for a 'relational analysis', by which he means an account of the multidimensional space of positions and the position taking of agents. Each social field is historically constituted. Therefore the study of a social field has to take into account its genesis, which strongly influences its current working. Each social field is semi-autonomous, characterised by its own determinate agents, its own accumulation of history, its own logic of action, its own forms of capitals, and its specific currency-rate which determines the transformation of economic, social and cultural capital into symbolic capital. The degree of autonomy of a field depends on its global volume of capital (especially symbolic capital) accumulated over time (Bourdieu 1999). Capital rewards gained in one field may be transferred to another. Each field is a site of struggle, i.e., there are struggles within a given field and there are struggles over the power to define a field (Postone, Lipuma and Calhoun 1993: 5f.).

Bourdieu's notion of *capital*, which is neither Marxist nor formal economic (Postone, Lipuma and Calhoun 1993: 4), entails the capacity to exercise control and is a base of power. On the one hand, social systems are structured by the unequal distribution of capital. On the other hand, individuals strive to maximise their capital. In the proposed project, much of the empirical work to explain careers will focus on the interplay among what Bourdieu distinguishes as social, cultural, and economic capital.

- *Economic* capital is the most efficient form, for it alone can be conveyed in the appearance of general, anonymous, all-purpose convertible money from one generation to the next. In addition, its institutionalised form, i.e. property rights, has the longest tradition and strongest entrenchment in our legal system. It can be more easily and efficiently converted into cultural, social and symbolic capital than vice versa (Postone, Lipuma and Calhoun 1993: 5).
- *Social* capital involves relationships of mutual recognition and acquaintance, resources based upon social connections, and group or class membership. It might be legitimised and institutionalised by family-, group- or class-membership and works as a multiplier which enhances the effects of economic and cultural capital. Social networks can be regarded as a product of permanent efforts in the form of continuous acts of exchange in

order to institutionalise social relationships, whereby economic capital may also be spent. (Bourdieu 1983b: 191f.).

• *Cultural or informational capital* designates education, i.e. durable dispositions of the body (culture, cultivation). To attain these, an internalising process is necessary which consumes time. Thus, the duration of this process seems to be the most exact indicator (Bourdieu 1983b: 186). It appears in three forms: (1) incorporated (i.e. durable) dispositions of habitus, (2) objectivised, that is in the form of cultural products (books, paintings, machines) and (3) institutionalised, in the form of academic titles and degrees, which are relatively independent of the cultural capital actually incorporated. Institutionalised cultural capital may be compared and converted into other forms of capital more easily. In any case, cultural capital is the accumulated result of educational and cultural effort, undertaken either by the agent himself or by his ancestors.

One of the most important assumptions of Bourdieu (e.g. Bourdieu 1983b) is that capital is *inheritable* and thus passed on from ancestor to successor in all its forms: hence children of families wealthy in terms of cultural capital can achieve much more profit out of the educational system than children of less-educated families. For example, the parents' social connections work as a start-up capital for the children's networking efforts. As a consequence these processes reproduce social structure and distribution of power in social systems. *Symbolic* capital is the form of capital perceived and recognised as legitimate, which constitutes social positions and results in the actor's prestige within the particular field. The rules that are valid specify which combination of the basic form of capitals will be authorised as symbolic capital.

## 3. <u>New forms of coupling - in terms of media and attribution: exclusivity</u> <u>of inclusion</u>

To deal with the question of the newly emerging functional equivalents that organisations develop in order to bind individuals to the organisation and to influence them even in the light of a new kind of flexibility, we will identify three steps. First, we will analyse the issues of organisational membership (3.1) to be able to identify new forms of coupling using different media (3.2), this leading to the preference of organisations for risk instead of uncertainty (3.3), all of which is an argument for – at least the illusion of – an exclusivity of inclusion individuals.

#### 3.1. Individuals as members of organisations

Organisational boundaries are formed via expectations: they are the structures that decide whether communications/decisions are counted as part of the system or the environment. Thus, their core contribution to the system is the supply of inclusion/exclusion signals (Luhmann 1984a: 55ff., 177ff.). Expectation structures are an expression of those schemes that allow organisations to differentiate between communication stemming from the system and those coming from the environment. Individuals have a central role in this process: Communications/decisions are regarded as belonging to the organisation if the individual to whom this communication/decision is attributed belongs to the organisation. Usually, the criterion for 'belonging to the organisation' is membership. In other words: organisations make their boundaries clear to their environment by signalling who belongs 'inside' and who does not via membership. If a communication/decision is attributed to a 'member (non-member)', then this is a clear indicator that the communication/decision can be attributed to

the organisation (the environment). Thus, organisations can act as 'collective actors' (Luhmann 1994; for a similar perspective see Coleman 1986 who talks about corporative actors) that make their drawings of boundaries highly visible and plausible for their environment.

Whatever the case, it is only communications/decisions and never individuals that are the elements of the organisation. Nevertheless, the latter are of crucial importance. First, they play a major role in structural coupling with environment(s). Second, they act as instances of attribution, especially for the case of success and failure (see. e.g., Kasper, Mayrhofer and Meyer 1998; Kasper, Mayrhofer and Meyer 1999). However, individuals - e.g., cleaning personnel, clerks, skilled workers or managers in the case of formally organised social systems like companies – never belong to the system itself. They are always part of the system's environment. At the same time, they are conditiones sine quibus non for the existence of the system, and are structurally coupled, as was mentioned above. As parts of the environment they provide organisations with a stimulation that triggers other referential processes within the system. However, a *caveat* applies here: not all individuals have the same chance to trigger such processes. How individuals are structurally coupled with the organisation can make a big difference. There is - not very surprisingly - a big difference according to whether the call for a fundamental process of change within the organisation comes from the former wife of a fired manager of the company, the CFO of the largest creditor bank, or from the CEO of the company.

Traditionally, individuals are regarded as tightly coupled to the organisation if they have the status of member. Being on the payroll is one of the major indicators that is used to determine whether somebody is a member of an organisation or not. To put it more generally: various legal institutions, especially working contracts, and the constitution of the job serve indicate whether individuals belong to an organisation or not. Both of these indicators traditionally play a crucial role in various organisational theory concepts. The significance of the working contract in (new) micro-economic approaches or the importance of the job in concepts such as line organisations or matrix concepts are just a few but important examples (see, e.g., Backes-Gellner 2001; Schreyögg 1999; Macharzina 1996; Kieser and Kubicek 1992).

In such a traditional context, three types of media are primarily used to develop a highly complex system of jobs: (1) law, especially the working contract, (2) power, especially subordination, and (3) money, especially wages and salaries. Within these media, law has a kind of meta-role: by the institution of a legal agreement – the working contract – a relationship between organisation and individual is established that encompasses subordination and payment as elements that, at least in principle, can be cancelled at any time. Furthermore, jobs – understood as certain positions within the organisation –take on the character of a medium. Decisions – the core element of organisations – reproduce themselves in the medium of jobs. Jobs are a very general, hard-to-determine and largely de-coupled potential for organisations which is specified by decisions about these jobs (Luhmann 1988b: 309f.). Through decisions, this medium acquires form. In other words: decisions form jobs (Spencer-Brown 1971) by creating programmes and tasks, by assigning persons to job, by allocating them with budgets. In that sense, it is the form of the job – itself created by decisions – that couples individuals via membership to organisations. A major reason for this is exclusivity: 'ideally', a person should only belong to one job within one organisation.

For a long time, a tight coupling between the individual and the organisation and a stable configuration of individuals and relevant collective actors, especially employers, was the rule. Although there were national differences, the implicit assumption was that stability and mutual loyalty were essential ingredients of a well functioning working relationship. The

concept of life long employment in Japan (e.g., Coles 1979) or the reward of high seniority in firms (e.g., the Austrian system of *Abfertigung*, see for example Walther 1999) are examples of this. Exclusivity of – where possible comprehensive – inclusion was the implicit or explicit ideal or even rule. The concept of the 'company man' (Maccoby 1978), organisational socialisation procedures (Kasper 1992; Maanen and Schein 1979; Schein 1984; Hall 1987; Fisher 1990) that result – 'I am an IBMer' – in culture-adequate 'indoctrination' or career concepts which rely more or less solely on internal labour markets, internal advancement and few changes between organisations (e.g., Rosenbaum 1984; Rosenbaum 1990) are illustrations of these assumptions.

More and more, this rule seems to become the exception. The phenomenon of the newly self employed is just one part of a more general development which is characterised by two elements: less tight coupling between organisations and individuals and a less stable configuration of the collective actors relevant for the individual seeking work (see Mayrhofer, Steyrer, Meyer et al. 2000). The growth of personnel leasing, fragile employment relationships, outsourcing/subcontracting, virtual organisations, IT-mercenaries and the like are indicators of this change. Organisations as well as individuals increasingly (have to) substitute tight coupling and stable configuration in favour of more flexible and free-floating forms of working relationships. Chronic flexibility seems to be on the rise.

Nevertheless, even – or maybe especially – in a chronically flexible environment organisations have to solve the core problems of using personnel in the context of a market economy following capitalistic principles: how can organisations tie valued individuals as long as is useful to the organisation, how can they secure a high degree of influence on the – ideally high, continuous and reliable – performance behaviour of these individuals, how can organisations use hidden reserves and tacit potential while at the same time being able to adapt smoothly and flexibly to changing demands?

#### 3.2. New media and means of coupling

Given the developments roughly outlined above, the conclusion seems clear: we are in the process of an erosion of the traditional type of organisational membership with tight coupling via work contract and job. However, a number of questions still remain open, especially from a management or organisational point of view. Will organisations easily relinquish achievements like control or calculability? Will they abandon the advantage of being recognised as a collective actor because of the changed ways of coupling? Will they accept a less clear picture of themselves for the sake of cost advantages that are linked with more flexible forms of coupling and less stable arrangements of configuration? In single instances, this may be the case, for instance, if an organisation does not want to be associated with its personnel for reasons of marketing or liability.

In general, however, this will not be the rule. On the contrary: we propose that organisations still prefer tight coupling of personnel, but that they use different media, or, to be more precise, different media and/or different means within the existing media. Thus, crucial determinants for the survival and success of organisations, such as committing individuals to the organisation, getting performance from them and controlling their behaviour, will still be a major consideration – but reached by a different route: by functional equivalents for the previously most prominently used means: working contracts, directives/subordination and power:

- Within the *medium of law*, performance based contracts (in which one party undertakes to bring about a particular result) substitute the mere working contract. Thus, organisations no longer merely have an option for the performance potential, but relate their own input into the exchange relationship to actual performance achievements.
- The *medium of money* gains importance. It can be used with a high degree of variability and in a very fine-tuned way. In the light of the substitution of the working contract by the performance based contracts, concrete performance and no longer performance potential and subordination is bought (Luhmann 1988b: 309). Thus, money is the functional equivalent to hierarchical subordination or directives in exerting microcontrol.
- This leads to a less frequent use of the *medium of power* or, to put it more precisely, power is more disguised because money takes over the role of the fine-tuning instrument. If one accepts the Luhmannian differentiation between personnel power and organisational power (Luhmann 1975), then personnel power is mainly affected by these developments. Organisational power, on the other side, which relies much more on the specific situation of the labour market, is less influenced by that and still exerts macrocontrol in the sense of Hirschman's exit-option (Hirschman 1970.

In this sense, hierarchy is not completely replaced by market or clan (for this differentiation see Ouchi 1980) but only partially by money. Even in the new context and with the newly self employed, organisational power is used as medium for macrocontrol. However, it is much more a matter of power as a potential and less of power actualised through directives; and it is supported by performance-based payments.

These developments are, among others, fuelled by the increasing loss of hierarchical layers and jobs within organisations as proposed by lean management concepts (see, e.g., Eckardstein and Seidl 1999; Bungard 1995; Womack, Jones and Roos 1990). Even if the euphoria about these concepts has gradually died down, one effect seems to survive: organisations have reduced hierarchical layers and have also outsourced part of their activities. Thus, fewer jobs exist than previously. In turn, personnel power has a reduced basis because of fewer options exist in terms of promotion or non-promotion. Therefore the amount of fine tuning with this medium has decreased. To be sure, organisational power still exists, but the means of exit, in the sense of firing people, is an ultima ratio and not a means of finetuning. The medium of money, at least partly, has to take the place of personnel power. Therefore, it is no surprise that organisations use more performance-related pay systems than before and reduce the significance of the traditional employment contract: one medium of fine tuning is replaced by another. New types of membership and new types of jobs seem to be emerging. As a consequence of these developments the quite clear binary coding of member/non-member is replaced by a more gradual and differentiated model that knows different types of (new) members/(new) jobs. Models like the coalition approach (Cyert and March 1963) or the stakeholder concept (Mitroff 1983) can be regarded as early heralds of such developments.

To be sure, organisations still demand commitment and loyalty from their personnel, they still want to use their potential. The ,rhetoric of inclusion' (Bardmann 1995) is still in vogue: Individuals are recruited as entrepreneurs, decision makers, as heroes or scapegoats – nevertheless, from a systems theoretical point of view, they are ,only' a topic of communication that secures redundancy and latency (Luhmann 1988b; Meyer 1994). This leads to a kind of camouflage: it is the expectation structures and not individuals that are crucial for organisational decisions. Nevertheless, organisations demand inclusion from their members, most often: exclusive inclusion: "Thou shalt have no other firm beside me." This fiction – if shared – leads to positive effects. The professional performance of individuals can be used ,exclusively' and the coupling between individuals and other social systems can be defined as joint blind spot, thus avoiding too complicated and conflicting expectation structures. If you define a person as 'yours only', then all the problems arising from multiple constituencies are 'his/hers only'. Of course, this inclusion has been a temporary one even in so called standard or traditional working arrangements. Nevertheless, this temporary component has become more prominent because of the new developments and the semantics of flexibility and deregulation.

If the functional equivalents mentioned take over the role of jobs and employment contracts, the character of organisational boundaries as expectation boundaries becomes more visible. What is inside and what is not, what belongs to an organisation and what does not, is determined by the expectations of organisations. At the same time, it is more interpretable, because established means of differentiation have become obsolete. The differentiation between inside and outside has (visibly) become a matter of social construction. Therefore conflicts about these issues become more likely. The assumption that high personnel costs indicate denied conflicts in organisations (Titscher 1995: 1341) can be reformulated: low personnel costs because of lean management, outsourcing and the like require a higher readiness as well as competency for dealing with conflicts.

#### 3.3. From uncertainty to risk: internal/external personnel and temporal membership

Up to now we may conclude that membership – at its core: *exclusivity of inclusion of personnel* – can be reached via different forms of coupling which are functionally equivalent and which use different types of (means of) media. Nevertheless, one question remains: what importance and what function does exclusivity of inclusion of personnel have for organisations?

Organisations treat – the business of business is business (Milton Friedman) – individuals as personnel and not as human beings. Furthermore, organisations prefer risk over uncertainty and danger, because they consist of decisions. To construct the future as a risk, and not as an uncertainty or a danger, means to attribute the damage possible to decisions and not to external developments (Luhmann 1991: 30 f.). Obviously (most) organisations prefer to see themselves as driven by their own (rational) decisions rather than by environment, by fortune, doom and destiny.

Individuals, located in the environment of the organisation, are a constant source of danger and contingency – no surprise to marketing and product development specialists who have never unlearned the reaction of trembling when a new product is launched. By the power of decision individuals are transformed into personnel, potential damages are a result of this decision and *ex ante* can be treated as risk. Attributing to the organisation's decisions is the preferred mode for dealing with uncertainty. Whenever possible, organisations transform danger into risk. Market research is just one prominent example for this tendency.

The phenomenon of the newly self-employed points to a change in the relationship between organisations and individuals. It seems that we are in the middle of a process leading towards less stable configurations and less tight coupling. For organisations, this means that in the future they will have to face additional forms of self employment and membership compared to the 'traditional' versions. Free floating professionalism, chronic flexibility, gradually modified forms of membership seem to become more important. Nevertheless, organisations still try to develop tight coupling and stable configuration through the illusion or fiction of exclusivity of inclusion in order to secure crucial contributions from their personnel. Thus,

they transcend the ,traditional ' binary options in the market logic – membership/nonmembership, payment/non-payment (Luhmann 1988a: 230 f.), loyalty/exit (Hirschman 1970).

Given this background, the illusion of exclusivity of inclusion, i.e. the construction of old and new types of membership, serves four main functions:

- It contributes to an organisational fiction of exerting influence. Individuals, i.e. psychic systems, are no longer non-trivial machines, but systems with a high connectivity.
- It allows organisations to demand from individuals concrete performance as well as use, and to calculate with their performance potential.
- It transforms a dangerous and uncertain relationship into a *risky* one, i.e. one that is characterised by a certain calculability provided by the organisation's decision making experience.
- It contributes to increased redundancy because it is an abstract and, in terms of complexity, favourable substitute for direct regulation of topics (Luhmann 1984b: 269).

The organisation-environment relationship is characterised by contingency in a twofold sense. If the environment is regarded as resource, then the system – here, the organisation – interprets contingency as dependency. If the environment is interpreted as pool of information, then for the system contingency means uncertainty. In building the illusion of an exclusivity of inclusion organisations reduce external dependency as well as uncertainty, thus creating a double benefit. By maintaining a tightly coupled relationship with their personnel they transform asymmetric dependency into interdependency as is shown by the example of the efforts of organisations temporarily to tie IT-specialists to the organisation. By attributing the difficulties of calculating individual behaviour internally, uncertainty is transformed into risk because it is not a consequence of the environment, but of the system's decisions.

It seems highly plausible that new forms of relationships developed between organisations and individuals/other organisations in their environment are gaining importance. There is a large spectrum between hierarchy and market that provides potential arrangements (Sydow 1992: 104). From a systems theory point of view this phenomenon was explained via the emergence of intermediary systems (see, for example, the case of consulting systems, Exner, Königswieser and Titscher 1984). At the interface between organisations and non-memberindividuals/other organisations intermediary systems develop. These intermediary systems are especially suitable to influence their home systems.

In the context of this paper – how do organisations deal with, i.e. communicate permanently with non-members – another concept seems more plausible: the fiction of temporal membership based on the exclusivity of inclusion. Organisations deal with non-members ('external members') in the same way as they do with 'internal members'. It demands the same imputations: manageability, exerting influence, using the performance potential, commitment, calculability – in short: availability of redundancy. Through using the new means and media presented above, external consultants, lawyers, IT-specialists, creative specialists, advertising professionals and so on are treated 'as if' they were internal members. The fiction of temporal membership based on the exclusivity of inclusion emerges.

This leads to a slightly embarrassing, at least surprising conclusion: in this sense, the newly self employed do not differ very much from more traditional employees. Via other means and media than the traditional ones, membership –admittedly, a new type of temporal membership

- is created. This gives at least the organisation many of the benefits that are linked with traditional membership relations. Thus, they treat all kinds of individuals whom they are using for their purposes as internal or external personnel. In turn, this creates the fiction of calculability and puts them into a better position when they have to deal with disappointments. Still it remains to be developed how these new types of membership – in other words, the new forms of coupling – can be conceptualised.

## 4. <u>New forms of coupling - in terms of capitals: rich and risky</u>

Social Systems Theory analyses the form of coupling between organisations and its personnel with respect to generalised media of communication, i.e. it describes the changes within power, law and money. Although the following step seems rather risky in terms of theory matching, it might help to clarify how social relations between an organisation and its personnel change in terms of mutual expectations and requirements under conditions of new self-employment. As argued above organisations try to maintain the functions and advantages of traditional close coupling by establishing the fiction of exclusive inclusivity.

Apart from the decrease in personnel costs, are there any further advantages for organisations in these developments? Why do organisations accept the difficulties of keeping the coupling tight with new means and media? We assume that under the new conditions individuals will contribute more capital suitable for increasing organisational performance. Requirements in both the social and cultural capital of their personnel have increased insofar as organisations are less ready to invest in the development of these but rather to presuppose them. Given the economic system and the career field sketched above and characterised by rather loose coupling and unstable configurations (Mayrhofer, Steyrer, Meyer et al. 2000), flexibility is also expected of the individuals' capital.

# 4.1. Social capital: weak ties, structural holes, and the importance of inherited connections

Curiously most research on social capital both in sociology and in management does not even mention Bourdieu (Portes 1998; as an exception see Matiaske 1999, although this thorough analysis concentrates upon formal network theory). Most research on the influence of social capital on careers focuses upon the "company world", i.e. the careers in organisations, and conceptualises social capital through 'contacts to other functional areas or hierarchical levels' (e.g. Seibert, Kraimer and Liden 2001). Concepts like these are ill-suited to the description of sources and effects of social capital within the relation between newly self-employed actors and organisations, although the concepts most popular in career research – weak tie theory, structural hole approach and social resources theory are also useful for our purpose.

Despite the theoretical differences between the concepts of coupling and of social ties, tight coupling between organisations and their personnel implies rather strong ties in terms of social network analysis (Granovetter 1973b, Granovetter 1982): in the traditional company world individual actors are embedded within a dense and multiplex network of social relations with a high degree of conformity and control (Barnes 1954), yet induced by the few degrees of freedom in the dimension of time and place. Though organisations try to maintain this tightness for the reasons mentioned above, the multiplexity of social relations probably decreases in the case of new self-employment. The conversions within power, law and money might have deflationary effects on a further medium: trust. If employees are outsourced, paid only for particular results and deprived of their social security, or if they voluntarily leave the

organisational cage to increase autonomy (as the study of Feldman and Bolino 2000 suggests) and/or economic capital, in both cases the transactions between them and organisations will be reduced in economic respects and will lose the aura of trustful familiarity. Thus either uniplex relations will be supported, or multiplexity will be grounded in informal relationships. This trend towards uniplex relations might also lead to a rise in the level of intraorganisational conflict (Nelson 1989) and an increasing demand for mediating institutions; thus social costs will be externalised. It is clear that disagreements with the newly self-employed will not be settled within the organisational committees but will be delegated to the legal system.

Even though closed in their basal processes and structures, organisations rely on structural couplings with their environments. Individuals who act as boundary spanning relays play an important role in the coupling mechanisms between system and environment: as psychic systems they are considered to be part of the environment in themselves, and beyond it they contribute to the communication processes of many social systems. It might be assumed that traditionally tight coupling promotes strong ties within the organisations and, as a further consequence, high cohesion and closure (Granovetter 1973b; Granovetter 1982). Though the development of new self-employment can be explained rather by causality circles rather than by single causes, the advantages of weak ties might be one crucial factor: whereas actors invest a lot of emotions and time in strong social ties, weak ties require much less investment. At any rate, weak ties bridge the gap between different cohesive groups and are therefore essential for the existence of the network as a whole (Granovetter 1973b). Greatly simplified, the circle behind this development might be described as follows: outsourcing processes and lean management efforts increase the organisation's dependency on external actors

The form of social capital for which organisations long is the possibility of bridging structural wholes (Burt 1992): in new organisational forms where membership no longer draws clearly marked border, boundary spanning (e.g. Keller and Holland 1975; Leifer 1975; Adams 1976; Keller, Szilagyi and Holland 1976; Aldrich and Herker 1977; Singh 1993; Weatherly and Tansik 1993) becomes a crucial function for most of the participating actors. According to Burt's theory ties to two or more alters who are not connected meet this condition. Combined with weak ties theory this leads to the assumption that it might be advantageous for ego to be tied weakly to many alters who are themselves unconnected to the other alters in ego's network. Of course this constellation is the more profitable for ego (and the organisation ego is linked with it) the more useful are the resources embedded within this network (Lin, Ensel and Vaughn 1981; Lin, Vaughn and Ensel 1981; Lin 1999).

Finally new self-employment further enhances the value of primary socialisation, more precisely the value of social capital acquired before the entry into the career field. In a constellation where organisations provide much less socialisation and social embedding than before the basic capital equipment becomes more important.

Our assumptions concerning the constellation of social capital favourable for the newly selfemployed might be summarised as follows:

Concepts and references	Assumptions for the newly self-employed
Density and cohesion of networks	• from multiplex to uniplex relations
e.g. Barnes 1954; Bott 1957; Kapferer 1969; Mitchell 1969	

Weak tie theory	<ul> <li>from intraorganisational relations to</li></ul>
Granovetter 1973a; Granovetter 1982	boundary spanning <li>from rather strong to rather weak ties</li>
Structural holes approach Burt 1992; Burt 1997	<ul> <li>strategic advantages of bridging structural wholes gets even more important</li> <li>most relevant structural holes are between non-linked non-members rather than between non-linked members</li> </ul>
Social resource theory Lin, Ensel and Vaughn 1981; Lin, Vaughn and Ensel 1981; Lin 1999	• resources of non-members become more functional for status than resources of members
Reproduction approach	<ul> <li>from organisational to primary</li></ul>
Bourdieu 1979; Bourdieu 1986	socialisation

Table 1

#### 4.2. Cultural capital: more risk, more profit

Unlike social capital the notion of cultural capital has hardly trickled into management research. Bourdieu uses this concept not only to cover overt knowledge, skills and abilities but also inherited, incorporated and mostly unconscious practices in handling social norms and social situations (Bourdieu 1979; Bourdieu 1983a; Bourdieu 1986; Bourdieu 1994). What special forms of cultural capital are expected from the newly self-employed? What are the distinctions between this group and the employed?

As far as cultural capital is concerned we want only to formulate two assumptions supported by very few arguments:

First, we assume that institutionalised forms of cultural capital, i.e. especially academic titles, lose their importance for the newly self employed. If the configuration of individuals and the organisation is less stable and if the legal tie between them is not perceived as handcuffs, deciders in charge of engagement of personnel are less forced to justify potentially wrong decisions. Key attributes such as university degrees often serve as safety arrangements in the sense of 'you cannot get fired if you buy IBM'. If the duration of the commitment to a contract is shorter, the risk for the decider will be lower (ceteris paribus). We therefore assume that attributes less measurable and observable will become more important. Thus the embodied cultural capital, the habitus of cultural practices, knowledge, and demeanours learned through exposure to role models in the family and other environments (Bourdieu 1979) play a crucial role in obtaining attractive positions within the field of new self-employment. Consequently the biographical and professional experience becomes more important than academic degrees and the educational institutions attended.

Second, we suppose that more stable forms of cultural capital contribute more to the career success of the newly self-employed than rather unstable forms. More precisely and

concretely, commitments and diligence are less important attributes for this group than they are for the traditional staff of organisations. If the organisation buys mainly the performance potential, commitments are crucial for performance. If you buy the concrete performance itself, it must not be hedged separately.

## 5. Conclusions and consequences for career research

The newly self-employed are only one aspect of a more comprehensive development which can be characterised as a decomposition of the traditional stable relationship between individuals and organisations. The answers to the questions of organisational boundaries and of the linkage between organisations and their personnel result in the preliminary conclusion that traditional forms of coupling will be replaced by new forms. Nevertheless organisations try to preserve a tight coupling and the illusion of exclusivity of inclusion.

This brief discussion of the organisations' expectations and requirements for individuals' capital-equipment and the consequences of these for social status within the career field remains fragmentary but nevertheless shows some blind spots in recent career research (as an exception see Arthur and Rousseau 1996) that can be adressed by such an approach.

Careers are mostly understood as organisational careers. However, this often tacit assumption becomes increasingly questionable. New developments in terms of organisational forms as well as a changing qualification, value and expectation profile of the work force lead to a greater variety of work-life arrangements that are not restricted to work careers closely linked with organisations. In turn, this challenges career research. Many of the well-known concepts in our field have a 'bias' towards organisational careers. Only few explicitly transcend this limitation. The concepts used in this paper – social systems theory and the framework of Bourdieu – allow both: the acknowledgment of the importance of organisations for the understanding of careers, even if the means and ends of the organisation by introducing the concept of capitals and – in a next step – the other conceptual cornerstones of Bourdieu's framework: habitus and field (Mayrhofer, Steyrer, Meyer et al. 2000).

Among the capitals of actors, only social capital is systematically analysed as a factor influencing career success. However, a fuller – and in our opinion: more accurate – picture can be achieved if one not only includes social capital into the analysis of career patterns and success. Again, the framework of Bourdieu and especially his notion of economic, social, cultural, and symbolic capital seems to be helpful. On the one hand, these categories provide a more comprehensive view of relevant variables that are linked with the individual. On the other hand, the concept of capitals in the sense of Bourdieu's framework links these individual centered variables with the broader picture. Capitals do not exist per se, but are capitals only in a specific context. Thus, the notion of social fields and of habitus, and, more specifically, career fields and career habitus (Iellatchitch, Mayrhofer and Meyer 2001) comes into the picture. With such a conceptualisation, the bridging of the action-structure-dichotomy at least conceptally seems easier.

• Within the discussion about social capital the focus is on intraorganisational relationships whereas the extraorganisational and pre-professional acquisition of social capital is mostly omitted.

Again, this seems to be a severe shortcut of the fuller picture. Obviously, intraorganisational relationships play an important role when describing and explaining career patterns. However,

as the overall picture of work and the organisation of work – especially as reflected in new organisational forms – changes, the significance of a mainly intraorganisational perspective of social capital decreases. The notion of social capital as put forward in this paper transcends an organisational bound perspective and brings into focus the overall life of the indvidual, the social origin and all the extraorganisational and pre-professional sources for acquiring social capital are newly valued.

Overall, the combination of social systems theory and the framework of Bourdieu seem to provide rich and stimulating possibilities for future research and might set a new route for insights into careers.

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