BROADER RATIONALITIES AND ALTERNATIVE FORMS OF ORGANISATION: 
Sociological insights into social strategic action

Abstract:

This paper argues the legacy of instrumental rationality has had a profoundly impoverishing effect on rational accounts of organisation, and that even though non-rational accounts move beyond instrumental rationality, they remain tied to economist assumptions. The paper outlines the broader Weber/Habermas (1984) model of rationality, and demonstrates its application. Drawing on verbatim quotes from a sampling of the thirty-five (35) in-depth interviews, we reveal the range of very different rationalities expressed in the social relations of work, of four very specific types of organisation: a bureaucracy, an entrepreneurial unit, a producer co-operative and a worker co-operative. We outline two ideal sets of findings, ideal in the sense that in two of the organisations the rationalities, social relations of work and associated outcomes fit well with the Weber/Habermas (1984) model of instrumental strategic action and social strategic action. This study shows the potential for broader rationality as it plays out in the workplace. The notion of workplaces that free workers to contribute in socially strategic ways points to new approaches to management and organisation. It offers practical insights into social relations built on co-operation, moral judgement and communication. The power of the idea of broader rationality is that being more rational, i.e. attending to more than a narrow impoverished view provides the prospect of action advancing the social and the economic in a profound way. Only where management place a priority on social strategic action is it possible to rescind the impoverishing effects of economic rationalism.

Keywords: broader rationality, alternative forms of organisation, culture and economy, socio-cultural, social strategic action.
The Impoverishing Effect of Economist Understandings of Rationality:

The dominance of instrumental rationality

Weber (1922) conceives of the economic and political aspects of organisation as the two key motivations sustaining instrumental rational action. For Weber, managers and workers act rationally so as to extract their economic rights and also to maintain job status. It is this theoretical model that highlights and integrates the economic and political motivations underpinning rationalised action but separates social action from core organisation analyses.

Recall, Weber (1922) argues a master-trend of economic rationalism and disenchantment (with past irrational beliefs) releases the economic spirit. In line with this there are two dominant types of rationality, a purpose or instrumental rationality of means and ends, and value or substantive rationality of economic ethics. Weber argues, these two dominant types of rationality combine to release the economic spirit and screen out traditional, affective, and other value rationalities (including social values), which are ipso facto considered irrational.

Weber’s theoretical model with its’ central focus on the master-trend of economic rationalism has had a dominating influence on the historical development of theories of organisation. Early rational accounts draw on his ideas of bureaucratic rule and rational administration, e.g. Taylor’s (1911) work on scientific management, Simon’s (1945) account of administrative behaviour, and Fayol’s (1949) theory of administrative management. In a similar manner, more contemporary accounts retain the focus of instrumental rationality while acknowledging the increasing importance of environmental uncertainty (e.g. March & Simon 1958; Lawrence & Lorsch 1967). While non-rational accounts pose a fundamental challenge to rational accounts they remain tied to the classical assumptions of Weberian theory. Broadly, non-rational approaches aim to explain informal complex behaviours and how such behaviours impact either positively or negatively on the goals of rational economic organisation. These approaches gain their significance through the contrasts made between the rational and irrational; i.e. the focus is on the informal, emotional, sentimental or group aspects of human behaviour in organisations (e.g. Mayo 1933; Barnard 1938; Strauss et al., 1966; Weick 1979). Non-
rational approaches can be viewed as supplementary accounts given they complement rather than replace the core rational accounts of organisation.

The key issue is that this historical development in organisation theory has set up a number of conceptual restrictions that impoverish, and even limit the scope for theorising social action. It is not so much that the social consequences of organisation are not recognised but that in general phenomena like collectivism, social processes and values are conceived of in very narrow ways. For example, studies of social or collective processes tend to focus on the impact of group processes and their effect on formal structures and processes (e.g. Katz, Maccoby, and Morse 1950; Dalton 1959; Katz and Kahn 1966), rather than on collectivism in any sociological sense. Further, values are often narrowly examined as value systems that may or may not commit people to the rational goals of organisation.

The problem is that very little attention has been given to the narrow meaning assigned to rationality in Weber’s theoretical model. Following Weber’s structuralist and determinist model there is very little scope for developing accounts of social action. A further way to demonstrate this is to highlight how in Weber’s model social relations are limited to general economic propositions. Weber (1947) defines social relations as the meaningful behaviour of a plurality of actors, where labour is typically treated as the subject of formally free contractual relationships. In Weber’s model the meaningful behaviour of the actors are motivated by economic and political interests. Where social action might arise it would ultimately be screened out by the master-trend of economic rationalism.

**Rational economic systems and socio-cultural relations**

In a general sense there has been a growing concern to develop theoretical approaches that shift the focus to the social consequences of organisation. We briefly outline some of these developments before turning to key theoretical issues highlighted in studies of socio-cultural relations.

Some writers in the area of corporate governance focus on the problem of unethical behaviour in business. This is viewed as particularly problematic given the likely self-interest of agents (Daily, Dan, and Cannella, 2003). It is expected that with the
separation of ownership and control between owners and managers that decision makers may act in self-interest rather than in the interests of the owners and or the shareholders (Jensen and Meckling 1976, Fama 1980). By implication, it then becomes necessary for boards of directors to monitor the behaviour of policy makers and managers (Eisenhardt 1989). This general concern for ethics and social responsibility is mirrored in wider lens perspectives, which focus on occupational health and safety and corporate regulations (e.g. Braithwaite 1993, Driscoll, Hoffman and Murphy 2002, Carroll 1999, Freeman, 1999). Indeed, some writers critically question whether the regulation of human’s rights issues can and should be entrusted to corporations (e.g. Parker, 1999ab). Implicit in these studies is the concern for the social consequences of modern organisation in the future.

From a somewhat different perspective, some critical writers in the Marxian tradition demonstrate the damaging consequences of corporate culture. Willmott (1993) illustrates how corporate culture plays a masked ideological role in the construction of employee values, how corporate culture is intended to give the illusion of autonomy and freedom, and yet in reality that the aim of corporate culture is covertly align individual goals with the goals of economically driven organisations. Many other critical writers identify the damaging psychodynamic effects corporate culture can have (e.g. Hochschild 1983, Alvesson 1984; Rosen 1985, Schwartz, 1987; Rose 1988 & 1990; Kunda 1991), e.g. employee instrumentalism is associated with cynicism about the genuineness of corporate values; calculative compliance is often substituted for the prescribed commitment to corporate values; and subjective distancing or detachment can occur because individuals need to disengage themselves from the roles they play at work.

At the same time that there is a growing concern for the social consequences of modern organisation there have been calls for theoretical explanations of different varieties of Capitalism (not just corporations) and in particular those acknowledging the interaction of economic systems and socio-cultural relations (Kafkoulas, 2000). This is becoming increasingly important with European integration and has caught the attention of policy makers and academics.

Writers in the area of culture and economy are concerned that the interconnection between economic systems and socio-cultural relations are not theorised in determinist ways (du Gay & Prike 2000). We note there has been little agreement about this
interconnection (du Gay and Pryke 2002). We take the position that economic systems and socio-cultural relations are inseparable. We see the two as interrelated but view the connection between them as highly variable and situation dependent. These assumptions fit with the Weber/Habermas notion of broader rationality. One way in which to encourage the acceptance of this theoretical understanding is to outline the Weber/Habermas model of broader rationality and demonstrate its application.

A broader model of rationality

In general terms, the Weber/Habermas (1984) notion of broader rationality is a modification of Weber’s (1947) framework of rationality. Habermas (1984) argues people adopt a much broader rational calculus of means and ends. Importantly, there is no necessary link between instrumental rationality and narrowed substantive values. Instead, he claims, while people may adopt instrumental strategic action they may also choose to adopt social strategic action. This broader rational calculus is premised on a variable linking of rationalities such that the outcome may be either non-social or social. In general, social strategic action is characterised by people making judgements collectively and in light of moral principles. As indicated in Figure 1, in this model of rationality there are two possible outcomes. The first outcome represents the linking of instrumental rationality and narrow substantive values as the motivations or orientations for instrumental strategic action. The second outcome represents the linking of instrumental rationality and broader substantive values as the motivations or orientations for strategic yet social action.

**Figure 1. Habermas’s Broader Rationality:**

<table>
<thead>
<tr>
<th>Action Orientation</th>
<th>Orientation to Strategic Success</th>
<th>Orientation to Reaching Understanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Social</td>
<td>Instrumental Strategic Action</td>
<td>None By Definition</td>
</tr>
<tr>
<td>Social</td>
<td>Social Strategic Action</td>
<td>Communicative Moral Action</td>
</tr>
</tbody>
</table>

Broader rationality differs crucially from the narrow concept of rational organisation that is used in its narrowest sense to mean the singular pursuit of economic outcomes. The Weber/Habermas notion of broader rationality gives social action a position of priority without falling prey to determinism. In this way it transcends the arguably artificial divide between the economic and social, rational and non-rational, and acknowledges the possibility of social action that is strategic and yet moral.

Importantly, this new concept of broader rationality offers the conceptual space for workers, unions, and stakeholders to articulate moral issues and act morally in and through their social relations at work. Indeed, it offers the opportunity to theorise social relations based on co-operation, moral judgement and communication. This is significant, given the focus of Marxian approaches on materialism, antagonism, conflict and resistance (Sayer 1987) and the focus of Weberian approaches on economic and political interests (Weber 1922 and 1947). Indeed, there have been few organisational approaches open to the expression of social relations that are co-operative, moral and communicative.

**Different Rationalities As Expressed In The Social Relations of Work:**

*Specific types of organisation*

To demonstrate a range of different rationalities as they are expressed in the social relations of work we chose four very specific types of organisation: a bureaucracy, an entrepreneurial unit, a producer co-operative and a worker co-operative. We drew on Weber’s (1947) definitions of formally free and free social relations to select the organisations. According to Weber, the social relations of owners and workers are typically formally free. These social relations are premised on a separation of ownership and execution where the return of profit is to the owner (the capitalist) and characterised by conflicts of interests. Further, formally free social relations are typical of economically driven forms of organisation; e.g. bureaucracy and entrepreneurial units. We view these as the specifically economic forms of organisation. According to Weber, free social relations exist where the owners are the workers and everyone shares in the return of profit. With free social relations conflict may occur but it is more likely that for there to be a reconciliation. Free social relations are typical of producer and worker co-operatives (see figure 2, below). We concede that while Weber (1947) argues free social relations
exist there has been little research work that draws on this definition. We use this underutilised conceptual of free social relations to develop our work on specifically social forms of organisation.

**Figure 2.** Social Relations In Alternative Forms of Organisation

<table>
<thead>
<tr>
<th></th>
<th>Formally free Labour</th>
<th>Free Labour</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Instrumental</strong></td>
<td>Bureaucratic Organisation</td>
<td>Entrepreneurial Organisation</td>
</tr>
<tr>
<td><strong>Strategic</strong></td>
<td>Producer Co-operative</td>
<td>Worker Co-operative</td>
</tr>
<tr>
<td><strong>Action</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We use verbatim quotes from a sampling of the thirty-five (35) in-depth interviews that were undertaken over a two-year period. The interviewees were selected from a cross section of positions across the four organisations, with the actual number of interviews conducted in each of the organisations varying according to size and structural complexity. We were interested in demonstrating the range of different rationalities, their expression in the social relations of work and any associated outcomes. We present the data from the interviews and then discuss our findings.

**Bureaucracy: From equality to a performance mentality**

The introduction of competition reforms in the electricity industry required a shift from a culture of equality to one of performance. As one manager explained it the reforms “require us to separate the monopoly parts of our business from the contestable bits and to make those contestable bits operate on a level playing field with other providers”.

The structural reforms involved a series of internal changes, which challenged the culture of the organisation. First, the corporate executive officers or CEO’s of the organisation sought to introduce individual performance reviews linked to performance pay. Although a performance system was already in place for the CEO’s and senior managers, the unions were strongly opposed to the cascading of this system to lower level employees. As one manager put it, “there is a philosophical division between ourselves and the union on that matter…purely on the basis that we believe that we should be able to reward people individually for their performance and the unions say no that we should reward them as a group without distinguishing between individuals”.

Second, those employees not willing to take on the new performance mentality were aware they could be either retrenched or redeployed. One manager pointed out: “I think the shift has been made predominantly by management but workers I don't think have made the shift”. This is because: “public service mentality is equality, is doing nothing more than what you are getting paid for, is if my job description or job profile doesn't say it is my job then it ain't my job”.

The required shift to a performance culture produced different responses from managers and lower level employees. Managers, many whom, had engineering backgrounds argued in favour of the changes given what they believed was a lack of work ethic in general. As one line manager described it: “You know, whereas you see people that leave the public service and they go and work for themselves and their work ethic changes dramatically… And I have seen people who used to work for a company like (this organisation) and you look at their work ethic, and then they actually form their own company, what they expect at the workplace is a bit different from what they expected from themselves when they worked (here)”. By contrast, lower level employees felt their security of employment was under threat. As one field service co-ordinator argued: “Once upon a time when you were here you were guaranteed to be here until you retired, provided that you didn't do anything or do something really bad…Now it's performance based arrangement and you have to come up with the goods”. Indeed, many lower level employees doubted the structural and cultural changes would have a positive impact on performance and productivity. A linesman described the apathy this produced: “If you can't come to work and do a fair day
Entrepreneurial Unit: Sharing in the pain of economic growth

The franchiser and the franchisee were involved in a system of marketing based on a contract of agreement to sell pizza. The franchiser was the owner of the intellectual property of the franchise system; which entailed the marketing in terms of image, promotion, and advertising, and the operating standards in terms of consistency of product and service. By contrast, the franchisee owned the outlet shops and the physical assets including ovens, dough machines. The challenge was to coordinate the growth of the franchise system as a whole by aligning marketing and pricing strategies with the operational capacities of franchise stores. As explained by the marketing manager (head office of the franchiser): “The contractual obligation is that they (franchisees) must abide by what we say. But you actually have to have a willingness (on the part of the franchisees) to go to the next level because if you have a store and you go to the level of whatever, there is then the next capital expenditure of buying more equipment and buying a bigger oven with more capacity and things like this.”

Any disagreements that occurred over the growth of the franchise stores were dealt with in forums held by national franchise advisory council. This council was set up to represent the franchisees, advise the franchiser of issues and grievances and arguably provide a credible forum for dealing with issues about product development, marketing strategies, operational issues, and indeed any aspect of the franchise system. In sum, it provided a forum for joint management. As the franchiser put it: “It is a middle management that works, middle management don't usually work…these guys have got to look after the system and if we look after the system it will look after us. They get to hammer it out with the other ten or fifteen franchisees in their regions. They come up with a reasonable strategy, and bring it forward and we have a management that actually works”.

The culture in the franchise system as a whole was one of sharing in the pain of economic growth. As one franchisee explained: “There is a degree of pain in it for the franchisee but there has also got to be a degree of acknowledgement that the competitive
nature has meant that there have been more demands placed on head office as well. Their (franchisee) infrastructure is probably bigger than it was anticipated that it would be five years ago and so that comes at some cost. And for us to be competitive in the marketplace we have to have a healthy head office as well as anything else. So while it is painful it is not brought about by head office”. The operations manager at head office mirrored this argument: “Well if the franchisee is unprofitable because they haven't been able to change with the market then we don't get paid. So we derive all of our income from our franchisees, so therefore if he can't afford to pay his gas bill, he can't afford to pay us and so ah, we share in the concern.”

**Producer Co-operative: The pie of sugar money**

All cane growers who supplied cane to the sugar mills were members of the producer co-operative. The co-operative grew the cane, milled the cane into raw sugar, and also refined the sugar and co-operative involved a complex array of relationships. The board of directors represented the interests of the cane growers and made decisions about the operation of the co-operative. As one director explained: “Once the money from sugar sales has been proportioned; for example, to mill maintenance, loan repayments, costs of production, and also to the labourers in the mill, then the cane-growers would receive their share”.

At the outset, the principle object of the producer co-operative was to purchase, operate and maintain the sugar mills and to sell and market sugar, molasses and other cane by-products. The co-operative structure was set up in the following way. Each grower who held an assignment for land with the mills was requested to join the producer co-operative by applying for 130 shares in its capital. It was decided a board of directors would determine the timing and extent of share calls, depending on the financial requirements of the co-operative. To ensure that membership and shareholding remained with the co-operative, shares where directly linked to the holding of assignment and could only be transferred with the consent of the board of directors.

The culture of the producer co-operative was economically driven. In the words of one cane grower: "Most of the co-operative way of thinking here is that they won't pay tax, they will give a refund or a what's the word a dividend to the members and they will
plan on any new purchases to be looked at in the coming year. You know they (members) don't want to put cash into it”. As explained by the company secretary: “In co-operatives profits can be distributed and the distribution of the profits becomes a tax deduction... the other big advantage with co-operatives is that if it takes out a government loan, the repayment of the government loan for the co-operative is tax deductible”.

One area of contention was over variations in the size of land holdings. Whereas a cane grower with a large land holding might consider substantial investments in farm machinery and infrastructures, a cane grower with a small land holding may not be in any position to invest. Another area of contention concerned the voting system. Originally, co-operative members voted on the basis of a sliding scale with the larger landholders being entitled to a maximum of three votes. While this increased the voting power of the smaller landholders arguably improving the level of democratic rule, it also increased disagreements between the smaller and larger landholders. An equally serious concern was over the sharing of monies in the event a decision was made to sell the co-operative. And, as one large landholder put it: “As it stands at the moment, if you had a... let’s say you grew 1000 tons of cane, and you were a member of this co-operative, you sort of worked away, and you were a member from the very early stages of this co-operative, and you have got a farmer over here that grows 10,000 tons of cane, if that co-operative was sold tomorrow under the co-operative structure, and that $1.5 million was split between those two guys, they would get half each, which seems totally unfair, but that’s his share of it”. It was surprising to find that sharing in the pie of sugar money was characterised by so much conflict.

Over time, with the introduction of new members, variations in the growth of individual farms, and changes to co-operative legislation, co-operative members were becoming increasingly dissatisfied with the equitable operation of the organization. As a representative from the Cane Growers’ Association explained: "It is about the equity and you will find now that a lot of people who were totally co-operative minded wish it would just go away and they could form a company structure...because there is such an imbalance in equity.”
The goal of the organisation was to ensure the ongoing financial viability of the organisation and to protect the security of employment of the co-operative members. The day-to-day business was the manufacturing and repair of compressors. As one co-operative member explained: “The main aim is to keep the employees employed because that is the ultimate aim, and secondly it is to give them the ‘benefit’ of the work that they do… such as a share of the company profits, which they would not normally get working for a normal company”.

The structure of the co-operative was designed to achieve the goals of co-operative. It had a board of directors made up of five of the ten co-operative members. It also had a management committee consisting of the financial manager, sales manager, and operations manager whose role it was to make day-to-day decisions about operations. In addition a typical job structure was maintained with managerial staff and employees paid according to the market rate for their position. However, each member irrespective of their position was also entitled to bonuses and profit dividends. As the company secretary explained: “Everybody is looked after… companies can just discard people, they can push them sideways and out the door… we don't have that problem here, you know everybody is secure… we all stick together to the end”. Further, in the event of an economic downturn there was an agreement the organisation would simply shut down rather than attempt to cut down on staff. As he argued: “We will just close up if we get to that point. I mean rather than just putting things off, we will just shut the whole place down. That is the moral of the place, we don't… see if we can't function properly, they have all got their money in the business, we have got to give their money back”.

The structure and culture in the worker co-operative ensured there were no work demarcations issues. As the operations manager explained: “One or all four of them (factory workers) would stay behind” and complete it (a work project). He argued it was also not uncommon for the professional staff to come into the factory and “pitch in”. This general pitching in attitude flowed into the work ethic. As the operations manager explained: “I have never had a problem since we became a co-operative. He gave the following illustration: “Because we have only got the one machinist… I can remember one time when he was on holidays, and he knew that
he had already booked taking the holiday, and he knew there was a job coming in for repair in the middle of his holidays. And, he came in and worked two days to get that job through and then of course extended his holidays when he got back. So that is the type of co-operation that I get from the workshop”.

**Discussion of findings**

We found the data from the interviews in the entrepreneurial unit and the worker co-operatives demonstrated two ideal sets of findings, ideal in the sense that both of these organisations demonstrate cultures that act successfully as the integrating mechanisms for on the one hand an economically driven organisation and on the other hand a socially driven organisation. For instance, in the entrepreneurial unit the instrumental strategic goal of producing pizzas is sustained by a cultural agreement between the franchiser and the franchisees that they would share in the pain of economic growth. This rationality is expressed in social relations of work characterised by mutual economic support, with conflict being dealt with in a forum for joint decisions. Though the social relations of owners are not typical of employment generally we accept the findings given they demonstrate the integrating role of substantive values. In the worker co-operative the social strategic goal of keeping the employees employed and in receipt of economic benefits is of prior importance. This rationality is expressed in social relations of work characterised by co-operation, no demarcation issues and no problems with the motivation of members to work. Importantly, in the worker co-operative a priority had been given to social strategic action and it is this that led to the positive outcomes outlined above.

The data from the interviews in the bureaucracy and the producer co-operative also demonstrated useful findings, useful in the sense that both demonstrate substantive values that fail to act as the integrating mechanisms for the economic systems. In the bureaucratic organisation the instrumental strategic goal of competing in open rather than protected electricity markets was to be sustained by a culture which valued individual performance. This rationality was expressed in social relations of work characterised by conflict and an entrenched apathy amongst lower level employees. In this situation the substantive values did not successfully sustain the economic system. In the producer co-
operative the goal of producing sugar cane and associated products is sustained by a culture of sharing in the pie of money. This rationality is unexpectedly economic and was expressed in social relations of work characterised by conflict and disagreements over the fairness of the system overall. In sum, we believe the findings support our argument that only where policy makers and managers place a priority on social strategic action is it possible to rescind the impoverishing effects of economic rationalism.

**Implications for theoretical and practical understandings of organisation**

We believe the narrow construction of rationality has had a profoundly impoverishing effect on rational accounts of organisation, and that even though non-rational accounts move beyond instrumental rationality, they remain tied to economist assumptions. These accounts obscure a deeper understanding of organisation and the potential of organisations to advance social as well as economic goals. Yet, there has been a growing concern to develop theoretical approaches that shift the focus from the economic to the social consequences of organisation. This occurs at a time when European integration has caught the attention of policy makers and academics and when there is a need to develop theoretical explanations of different varieties of Capitalism (not just corporations).

The power of the idea of broader rationality is that being more rational, i.e. attending to more than a narrow impoverished view provides the prospect of action advancing the social and the economic in a profound way. In drawing on the idea of broader rationality, economic systems and socio-cultural relations can be viewed as inseparable and the connection between them as highly variable and situation dependent.

Our aim was to demonstrate a range of different rationalities, their expression in the social relations of work and any associated outcomes. The data from the interviews in the entrepreneurial unit and the worker co-operatives demonstrate two ideal sets of findings, ideal in the sense that in both these organisations the substantive values act successfully as the integrating mechanisms, on the one hand for an economically driven organisation, and on the other hand for a socially driven organisation. The data from the interviews in the bureaucracy and the producer co-operative demonstrate two situations where substantive values fail to act successfully as the integrating mechanisms of
organisation. In sum, it is in the worker co-operative that we see evidence of unencumbered social strategic action. These findings fit well with the Weber/Habermas (1984) model of instrumental strategic action and social strategic action.

Significantly, this shows the potential for broader rationality as it plays out in the workplace. The notion of workplaces that free workers to contribute in socially strategic ways points to new approaches to management and organisation. Moreover, it confirms social relations built on co-operation, moral judgement and communication.

A key lesson for sociologists, policy makers and managers is that there is a humanitarian potential embedded within organisation. Sadly this is often not understood. There are three key aspects to this potential. First, the benefits of social and economic organisation are many. There is a sense of purpose that extends beyond the individual and this purpose encourages stability in the social relations of work and the security of employment. This is important at times when the whip of the market threatens to focus on individual performance and causal employment. Second, although economically rational organisation dominates there is no reason why broader social organisation cannot be viewed as legitimate. Third, the priority of the social over the economic remains a possibility for future organisation with the implication that organisations with broader socio-cultural relations should be studied, exemplified, and reproduced.

From a scholarly position, we suggest perhaps it is appropriate to consider that Weber may have been right. There is a trajectory of economic rationalism. However, it may also be time to consider that we are capable of determining the future trajectory of organisation. As Habermas argues: “It requires not an expansion of our control over external nature, but … an extension of the autonomy of society in relation to our own, internal nature” (1979:146). This paper offers this consideration for sociologists, policy makers and managers alike.
Reference List


