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The place of the family firm in a traditional industry undergoing rapid social, economic and technological change: an investigation into some of the problems faced by family firms in the British printing industry

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The Place of the Family Firm in a Traditional Industry undergoing rapid social, economic and technological change

(An Investigation into some of the problems faced by Family Firms in the British Printing Industry)

by

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Supervised by

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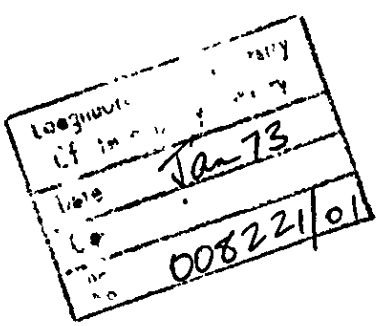
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PREFACE

I should like to express my gratitude to the supervisors of the research which this thesis reports, Professor Albert Cherns and Philip Sadler. Their advice and encouragement have been invaluable at every stage of the project and their patience found to be inexhaustable. I should also like to offer my thanks to past and present colleagues in the Ashridge Research Unit - in particular, Peter Lansley, Camilla McDougall, Graham Robinson, Patrick Sills, Brenda Thomas and Terry Webb - for their help and advice at various stages of the work.

My thanks are also due to the Social Science Research Council which provided financial support for the major study of which this thesis reports a part and to the six companies who so willingly gave of their time for the purpose of this investigation.

Finally, I must record appreciation of the way in which my secretary, Iris Clarke, has so willingly and cheerfully set about the task of deciphering my handwriting to produce such high quality typescript. I am most grateful to her for her assistance.

Ashridge
20th October 1972

B.A.B.

INTRODUCTION

In Britain, during the past decade, considerable attention has been focussed on family firms and various questions raised concerning their role in an advanced industrial nation. Articles describing problems faced by some of the nation's largest family businesses have appeared in the national press whilst, more generally, various writers have examined some of the difficulties faced by these institutions at the present time.

The term 'family firm' can obviously be used to describe a wide range of organisations. During the television documentary on the Royal Family in 1969, for example, the Queen and her family likened themselves to a family firm and, at one stage, described Buckingham Palace as the "flat above the shop". This thesis, however, will only be concerned with business organisations and the working definition used throughout will be an enterprise which, in practice, is controlled by the members of a single family. This definition embraces both the private limited company in which virtually all the shares are owned by a family, and the public company in which the distribution of the voting equity is such that the family holds effective control. It is similar to the definition given by Miller and Rice in their book 'Systems of Organisation', viz:

> "Some family businesses are private, some public, some mixtures of private and public, some wholly and some partly family owned; but all have the characteristic that the members of one family own enough of the voting equity to enable them to control strategic policy and tactical implementation" (1)

Such definitions cover a wide range of firms - from the small first generation enterprise to the larger public company - but, as will be shown, all have some

common characteristics which distinguish them from other business concerns. Although this work will concentrate on the smaller and medium-sized business, much of its content will also apply to the larger family concern.

Part I of the thesis traces the development of family firms and describes some of their characteristics. It examines problems of change facing business organisations generally at the present time and describes some of the ways in which these are likely to be particularly acute in family owned concerns. It concludes by considering the relevance of organisational theory to these problems.

Part 2 describes the research methodology adopted for the study and its rationale.

Part 3 is a description of the British printing industry - the industry in which the work was carried out.

Part 4 contains comparative studies of firms which were selected by the investigator to represent family firms at various stages of development. This section ends with an analysis of the ways in which the six firms concerned were coping with the changes they faced.

The conclusions include an examination of the role of the family firm in contemporary society and offers some suggestions for ways in which such enterprises can meet the challenge of change.

---

1 MILLER, E.J. & RICE, A.K. (1967) Systems of Organisation London: Tavistock Publications p. 108

PART I

THE FAMILY FIRM AND CHANGE

CHAPTER I

THE FAMILY FIRM

"Without family firms the dynamics of a free economy would be serious impaired, as would the incentive to individuals in a society based on property" (1)

Bow Group pamphlet

"The family empire does not need the strictures of the meritocrats to destroy it; it is being swept away by the forces of nature" (2)

Graham Turner

Although a considerable amount of literature[3] exists on the consequences of the separation of ownership and control in business enterprises, as Anthony Sampson[4] points out in 'Anatomy of Britain Today' the typical business in the United Kingdom is still the family firm. Most family businesses are small or medium sized, but some are very big and they include in their numbers such giants as David Brown, Rubery Owen, Pilkingtons and Wates. In size they range from the grocer with a small shop to a company like Sainsbury's which employs some 30,000 people, has a turnover in the region of £200 million, yet still remains a private limited company under the control of the Sainsbury family. Some family firms are first generation enterprises, while others have been in existence for centuries. At least four British firms, for example, belong to the Tercenterians' Club, membership of which requires the business to be at least 300 years old, be handed down from father to son, be in the same locality and doing the same job.[5] Clearly as long as there are business opportunities for entrepreneurs, other family firms will be formed daily.

From reading something of the work of social anthropologists and social and economic historians,[6] it is relatively easy to understand how family firms came to be formed originally. We know that in primitive societies the family is not only the institution for formalising relationships between the sexes and for catering for children; it also carries out a wide range of other tasks. Firth's study of the Tikopia,[7] for instance, illustrates how the family in a primitive society is at least as much concerned with the performance of work activities associated with survival as it is in catering for the socio-emotional needs of its members. Malinowski reports that although young Trobriand Islanders could earn more by working on plantations than growing yams, they preferred the latter activity because it was defined as required by their family roles.[8] At the eve of the Industrial Revolution, Britain was a traditional society, based largely on agriculture but making considerable use of the domestic system of production. Both agriculture and the domestic system, of course, were largely based on the family as a social unit. Even at a later stage - when industrialisation was becoming more widespread - it was still common to find the family and not the individual regarded as a work unit. Dean and Cole report:

> "It was a common practice for manufacturers to contract for whole families through the head of the family, and in a community with a relatively large number of small family businesses the distinction between occupied and unoccupied members of family must have been difficult to establish consistently" (9)

Similarly, Pollard draws our attention to the fact that cotton masters continued to pay out wages on a family basis, even when the members of the family were scattered over various departments.[10]

Until the end of the eighteenth century, it was also generally held that management was a function of ownership and to delegate responsibility to a salaried manager was to seek trouble. As Adam Smith expressed it:

> " .... being the manager rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own .... Negligence and profusion .... must always prevail, more or less, in the management of the affairs of such a company .... The only trades which it seems possible for a joint stock company to carry on successfully, without an exclusive privilege, are those, of which all the operations are capable of being reduced to what is called a routine, or to such a uniformity of method as admits of little or no variation" (11)

It would be in line with perceived self-interest as well as conformity to prevailing social values, therefore, for the entrepreneur with a business that was expanding at that time to take into his enterprise members of his family. That this did occur is confirmed by Pollard, who reports: "the practice of recruiting the management personnel from among the families of the partners was the rule rather than the exception".(12) Thus sons, cousins and sons-in-law were brought into businesses and so began some of the well known industrial dynasties. Indeed, it is only by tracing some of the marriages between members of these families that one can begin to understand the reasons for some of the amalgamations between firms which took place at that time.

The development of the family firm in Britain was by no means unique. In his study of American merchants in the seventeenth century, for example, Bailyn(13) has shown how important the family was both as a source of initial capital and of skilled personnel. Bell(14) points out that such well known organisations as Armour, Dow, Ford, Grace, du Pont and Swift, all began as family enterprises and even at the present time most major American newspapers are still family owned. The same writer suggests that although family ownership was an important factor in many medium sized firms, it did not

become critical in that nation's large scale capital industries. This he attributes to the financial crises faced by the American economy during the period 1890 - 1910 when the banks took control over many of the country's leading enterprises and many mergers started to take place. Bell suggests:

> "By their intervention, the investment bankers, in effect, tore up the social roots of the capitalised order. By installing professional managers - with no proprietary stakes themselves in the enterprise, unable therefore to pass along their power automatically to their sons, and accountable to outside controllers - the bankers effected a radical separation of property and family" (15)

Nevertheless, Bendix[16] has produced some tentative evidence to suggest that the proportion of 'heirs' [17] among American business elite of each generation born between 1771 and 1920, has gradually increased. It would appear, however, that traditional family firms (i.e. those continuing beyond the first generation) do not occur as frequently in the United States as they do in Europe, although in some industries (particularly breweries) they are still prevalent.

As industrial societies have developed, therefore, there has been a trend - particularly in larger organisations - for management and ownership to become differentiated. This development has been stated somewhat emphatically by Robin Marris:

> " .... the familiar facts are that the proportion of British and North American manufacturing output produced by companies of the type where a single person or family holds impregnable control has been small for sometime past; that by the late 1930's, in two-thirds of large and medium size English companies and in four-fifths of large U.S. companies, in each case not even the top twenty shareholders had between them sufficient stake to command an absolute majority and that since then dispersion has continued to increase, and in England, at least, the trend appears to have been accelerating" (18)

Nevertheless, as Sargant Florence[19] points out, the division between management and ownership is by no means complete and some evidence to suggest that the division

is not as general as is commonly believed is provided by Theo. Nicholls[20] who has shown in his recent book that there is a pronounced tendency for directors to be drawn from social backgrounds which are likely to be characterised by containing a high proportion of shareholders. Similarly, a study of 8,000 executives in the U.S.A. in 1952 by Lloyd Warner and Abegglen showed that "two of every five men whose fathers were owners of large businesses, had positions in their father's companies".[21] They also found that the proportion of sons of major owners in the same firms as their fathers reflected an increase over that found in a survey 24 years previously. The fact remains, of course, that a substantial number of British firms is still family controlled. As the Bolton Report states on its sample of firms:

> "In 81 per cent of small firms in manufacturing the 'boss' was the founder of the business or a member of the founder's family and over a third of all small manufacturing businesses and over two thirds in the distribution trades are wholly owned by first, second or third generations of the same family" (22)

With increasing industrialisation, economic production is carried out more and more by special purpose organisations and consequently the number of functions carried out by families as social units decreases. Work roles tend to become quite distinct from roles in the family and parents, for example, may spend substantial proportions of their time at work in jobs which have little or no meaning for their children, or indeed each other. Such changes may be expected to have profound effects on family relationships. Every child, for example, can understand something of the work of the farmer, but how many know what being a systems analyst involves? (Because of the importance of occupation in determining social status in modern industrial society, this trend clearly has other implications). Professor Titmuss[23] has drawn attention to the markedly different expectations of attitudes,

behaviour and social relationships in the workplace as distinct from outside it - these too may have implications for relationships within the family. The consequences of such developments have been that in industrial societies the family as a social unit has changed its nature considerably. This is not, of course, the place to examine the changing role of the family, but it is interesting to reflect that in the family firm the social system of the family and that of work do coincide far more closely than is usual in contemporary society. In Chapter III we shall examine some of the advantages and disadvantages that result from this.

Even the casual visitor to a family firm can usually discern that the enterprise differs from other business concerns in a variety of ways. He may note, for example, the special status accorded to members of the family owning the business - regardless of their formal position in the organisation or even their age - and the way in which this is reflected in the way they are referred to as 'Mr. Patrick' or 'Mr. Terence'. Indeed, the whole ethos may seem somewhat quaint to those used to more bureaucratic organisations. As one writer has expressed it: "Compared to a managerial corporation, a family firm is like a monarchy compared to a republic".(24) Closer association with family firms - as well as reference to the available literature - does enable one to draw out some characteristics which are shared by many of them. In particular, the following deserve special mention.

MANAGEMENT

As ownership and control have tended to become distinct, so management has been developing as a profession. Various professional institutions such as the British Institute of Management and the Institute of Personnel Management

have been formed and, more recently, various business and management schools have been set up to provide formal training for those performing managerial roles.(25) In addition to management research carried out at universities, systematic research in the management area has also been undertaken by independent bodies such as the National Institute of Industrial Psychology and the Tavistock Institute of Human Relations, and their findings have been published widely.

One gains the impression from talking to the owners of family businesses, however, that many of them regard such developments as highly suspect. They appear to have a great respect for the amateur tradition and seem to think that one is either born a manager or one is not; in either case, formal management training is superfluous. In such firms, the senior management is usually composed of family members or people socially acceptable to the family. Indeed in at least some firms one is reminded of the writings of economic historians reporting how managers were recruited in the last century. F.C. Mather, for example, reports on the recruitment of managers for the Bridgwater industrial estates as follows:

> "Management suffered from an importation of the traditional vices of landagency - amateurism and soulless routine. In the past stewards had been recruited less for their expertise than for their supposed probity and their familiarity with the landowner. Personal friends of the landlord, retired army officers, and above all lawyers had been the favourite choice" (26)

Particularly in the smaller and medium sized family firm, most junior and middle managers are usually promoted from the shop floor and often tacitly accept that one either comes from a social background which suits one for a top management role, or one does not. They frequently appear to accept members of the family owning the business as 'natural leaders'. The formal educational level of these junior and middle managers is usually quite low and they tend to hold posts which

would not generally be open to them in larger companies. Consequently, they often feel a considerable degree of gratitude to the family owning a firm for the advancement in life they have received. Their gratitude is reflected in their loyalty to the concern and the owners.

Signs of change, however, are appearing. Contemptuous remarks, such as that from Harold Wilson about "effete, fourth-generation management"[27] have not passed by unnoticed. Able young people appear to be less prepared to accept family leadership than they were in the past and in talking to 'family' managers today one gains the impression that they often feel the need to justify themselves in holding the positions they do.

RELATIONSHIPS WITH CUSTOMERS

Relationships with customers obviously vary depending on the nature of the product or the service provided, but it would appear than many family firms tend to have closer, more personal relationships with their customers than is usually the case in other businesses. Some companies - even when they have passed out of the hands of the families whose name they bear - still find it useful to employ members of the family to deal with their customers. It is reported[28] for example, that the managing director of Courage Barclay - who is not a member of the founding families of that company - finds it invaluable if their tenants in public houses can be visited by a Courage, a Barclay or a Simonds.

Perhaps because of the personal nature of their relationships with their customers, family firms tend to see themselves as providing a service and are accused of rarely adopting a vigorous marketing approach. Some, however,

have excellent reputations for design and craftmanship and at least one writer[29] has suggested that the family business is probably most conducive to the maintenance of these standards.

RELATIONSHIPS WITH EMPLOYEES

Some of the greatest differences between the family firm and other business enterprises exist in the field of employee relations. The firm is often seen by its owners as an extension of the family and they frequently try and maintain a 'big happy family atmosphere'. Pollard has shown how, in the early days of the Industrial Revolution, employers endeavoured to use feasts and holydays, typical of the old order, to cement personal relationships. He tells of:

> "Matthew Boulton's feast for 700 when his son came of age, Wedgwood's feast for 120 when he moved into Etruria, Heathcoat's outing for 2,300 from Tiverton, and the repast provided by the Herculaneum Pottery at the opening of its Liverpool warehouse in 1813" (30)

The contemporary equivalent would appear to be the annual dinner, or cricket match, and such events as outings to the country home of the owners or to their old public school. Certainly much is often done to try and maintain relationships at a personal level. Many chief executives in family firms will know the first names of everyone who works for their organisation and most spend large amounts of their time talking to employees.

On the part of employees, there is often a feeling that they will be 'better looked after' in the family firm than they would in a corporation. They know 'Mr. Gerald' and respect him; they might find it difficult to adapt to having their conditions of employment or pension rights settled by a personnel department a hundred miles away. Families of employees also become to be associated with

firms - in one factory visited by the writer, for example, the general manager mentioned that his secretary was the fifth generation of her family to work for the firm. Such trends inevitably tend to give the enterprise concerned a sense of tradition and stability.

There is little doubt that in many family firms employees are treated rather more generously than they would be in other businesses. This is demonstrated by the number retained after what would be regarded elsewhere as normal retiring age and the tolerance displayed towards mediocre performance by long-established employees. The benevolence of the family firm is sometimes demonstrated by the services it provides. Guinness, for example, spend some £70,000 a year in Dublin for a health service for its employees and their families.(31) The generous provisions of other family firms like Cadbury's and Pilkingtons are also well known. In the past at any rate, employees tended to respond by showing loyalty to the concern and a considerable degree of identification with it. In an increasingly egalitarian age, however, where educational opportunities provide far greater opportunities for social mobility than in the past and where any form of paternalism tends to be rejected by the young, it is to be expected that many young employees in family firms will feel resentment at the degree of social distance between the owners and themselves. It is almost certain that many young people entering such organisations at the present time will be far less likely to accept these master-servant type relationships, however benevolent, than were their fathers' generation.

RELATIONSHIP WITH LOCAL COMMUNITY

Even today, in a few cases a family firm will dominate a town and a large proportion of those living in it will work for the company (e.g. Clarks in Street; Wm. Clowes in Beccles; Richard Clay in Bungay). In such cases, the owners of

the business are often most generous. In Street, for example, Clarks the shoe firm provided a swimming pool, a fully equipped theatre and some £80,000 for a new by-pass road. Members of the Clark family sit on the local council and bench of magistrates, and are generally active in civic affairs. In deference to the wishes of the family, however, the town's one hotel remains dry.(32) Even in cases where the family no longer holds effective control of a company, one would expect that the 'family member' would still be accorded a special status in the local community (e.g. a member of the Cadbury family living in Bournville or a Pilkington living in St. Helens).

Although family members do tend to take an active part in local affairs, one might reasonably expect this because of the stability of their employment and general lack of mobility. In many respects the young man joining his family's business will find it much easier to integrate himself into the community than his counterpart - a management trainee working in a factory of a large company. The former would have been brought up in the area, his family would be known, his name 'would mean something' and so on.

RELATIONSHIPS WITH OTHER INSTITUTIONS

Although it is particularly difficult to generalise, it does appear that many owners of family firms are resentful about the intrusion of trade unions - and particularly full-time trade union officers - into what they regard as their affairs. (This prejudice against outside 'interference' also probably contributes to the reluctance of many such firms to employ management consultants.) In some extreme cases, it is seen as positively disloyal for employees to belong to a union.

Participation by members of the firm in the appropriate trade association, such as the British Pottery Manufacturers Federation or the British Federation of Master Printers, however, is usually highly valued. Often, considerable prestige accrues to an individual within an industry if he holds office or serves on a committee of these bodies. It is also interesting to note that in these institutions the individuals with well-known family names in the industry concerned tend to hold office, although the membership may include chief executives of public companies many times the size of the older established concerns.

THE FIRST GENERATION FIRM

In the main the above generalisations apply to family businesses which have been under family control for generations. When the firm is still controlled by its founder, somewhat different considerations apply. Although the entrepreneur is often highly identified with his firm - spending long hours at work and having intimate knowledge of its workings - he is clearly not continuing in a tradition and is not the trustee of the family inheritance in the same way as is the chief executive of an established family firm. Because he has built the firm up himself, his competence is unlikely to be challenged, but the skills and personal qualities required for founding and developing a concern may be somewhat different from those needed to run the business on a day-to-day basis.

THE PUBLIC COMPANY

As in many ways the first generation firm can be seen as a stage of organisation prior to the family firm, so the public company can be regarded

as a post-family firm type of organisation. Many public companies, long after they have passed out of the control of the families which gave them their names, still frequently reflect their previous ownership in personnel policies or in the special treatment accorded to members of 'the family' who join the company.

In concluding this chapter, it should be stressed that in attempting to generalise, one inevitably has to over-simplify. Many family enterprises may only share one or two of the characteristics described. What was attempted was to relate the experience of the writer in visiting many family firms and to incorporate some of the descriptions of them to be found in the literature. Most of the available literature on the family firm tends to be critical of them. They are frequently accused of having low rates of growth and profitability as a consequence of their inadequate management and technical backwardness. Like other social institutions, however, family businesses differ considerably. Although, unfortunately, many are as described in the literature, some have fast rates of growth; high levels of profitability; are technically advanced, and are well-known for their progressive management approach. The intention of this work is not to add to the criticism already made of family firms, but to attempt to examine and understand the problems they face at the present time. It is hoped that in this way a strategy can be suggested which will enable them to improve on the important contribution they already make to our national economy.

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CHAPTER II

CHANGE AND THE BUSINESS ENTERPRISE

> " ..... the business firm has been unsurpassed over the last fifty years in its ability to effect rapid inventive transformations of itself without disappearing as a form, often without loss of identity even at the level of the individual firm" (1)
>
> Donald Schon

Although it appears to be generally recognised that we live in an era of rapid change, the profound nature of some of the scientific, technological, economic, social and political developments taking place at the present time do not always seem to be fully appreciated. The discussion which follows attempts to summarise some of the major changes taking place and examines their potential consequences for the smaller and medium sized industrial and commercial organisation. It concludes by looking at some of the adjustments that may be required in such firms in order to meet the demands of change.

CHANGE

1. Scientific and Technological Changes

Major changes have taken place - and continue to take place - in the fields of science and technology. It has been reported,[2] for example, that since the days of Galileo, science has been developing at an exponential rate - it has doubled itself every ten to fifteen years in the number of scientists, of publications, and of research activities. Two developments are frequently cited as having made important contributions to the advancement of scientific and technological activities. The first of these is the professionalisation of the roles of people engaged in scientific and technological work and the other is the

institutionalisation that has taken place of scientific/technological activities.

Invention in the nineteenth century was an activity mainly carried out by a few individuals - usually craftsmen with little or no formal training. The developments which have occurred since that time are such that the contemporary scientist/technologist is normally the product of an advanced education - usually at the university level.[3] The Report of the Swann Committee showed that in 1965 in Britain we had an active stock of 313,200 scientists/technologists - just under half of whom were scientists.[4] The same source indicated that at that time 19.5 per cent were employed in the field of education, 48.9 per cent in industry and 12.5 per cent in government and research associations. Scientists and technologists, therefore, are to be found working in considerable numbers in a wide variety of organisations. The proportion of scientists and technologists to be found in industry is of particular interest for, as Burns and Stalker[5] report, British industry was dilatory in employing these qualified staff. By the end of the First World War the lack of communication between people in the world of science and those in industry was generally recognised and, in attempts to rectify the situation, the Government set up the Department of Scientific and Industrial Research in 1917. The rapid growth in the numbers of scientists and technologists in British industry, however, dates from the Second World War.

During this century science and technology have also become institutionalised. Most advanced industrial nations invest between 1 per cent and 3 per cent of their gross national products on their research and development activities and Thomason[6] reports that in the United Kingdom we spend about £800 million per annum in this way: this sum being almost equally divded between industry,

universities and government establishments. The scientist/technologist today, therefore, normally works as a member of a team and by such collaboration gains access to facilities and expertise not normally available to the lone inventor.

The rate at which technological change has taken place is clearly demonstrated in the field of transport. For thousands of years man walked or used animals to ride on or pull him along. He also harnessed water and the wind. After the invention of steam power, however, railways enabled travel at much greater speeds. Developments of the motor car and the aircraft during the past fifty years have been such, that journeys to any part of the world today are relatively easy and - by the standards of past ages - incredibly rapid. The collaboration between specialists demanded in the design and production of advanced technology can be seen in the development of a modern supersonic aircraft which clearly requires a wide range of expertise - that of aerodynamicists, designers, physicists, metallurgists, psychologists, fuel engineers, electronic and electrical engineers, instrument specialists, ergonomists, production engineers, and so on. It is not really feasible to imagine the abilities of any one person encompassing such a range of skills: such a sophisticated piece of plant inevitably requires co-operation from many for its successful design, manufacture and operation. Similarly, in other scientific and technological fields, innovations increasingly tend to depend upon groups of professionals for their successful design and implementation.

Some writers have suggested that perhaps the most remarkable change which has occurred during the past half century is the much more rapid diffusion of innovation which now takes place. As Donald Schon, for example, has pointed out:

> "The length of time required for the steam engine to penetrate a broad segment of the market was of the order of one hundred and fifty to two hundred years. For the automobile, what - forty to fifty years? For the vacuum tube, twenty-five to thirty years. For the transistor brought out by Bell Laboratories in 1946, fifteen years. For the jet aeroplane invented by Commander Whittle in World War Two, fifteen years. For the laser, eight to ten years. The time required for the diffusion of major technological innovations would appear to be approaching zero as a limit" (7)

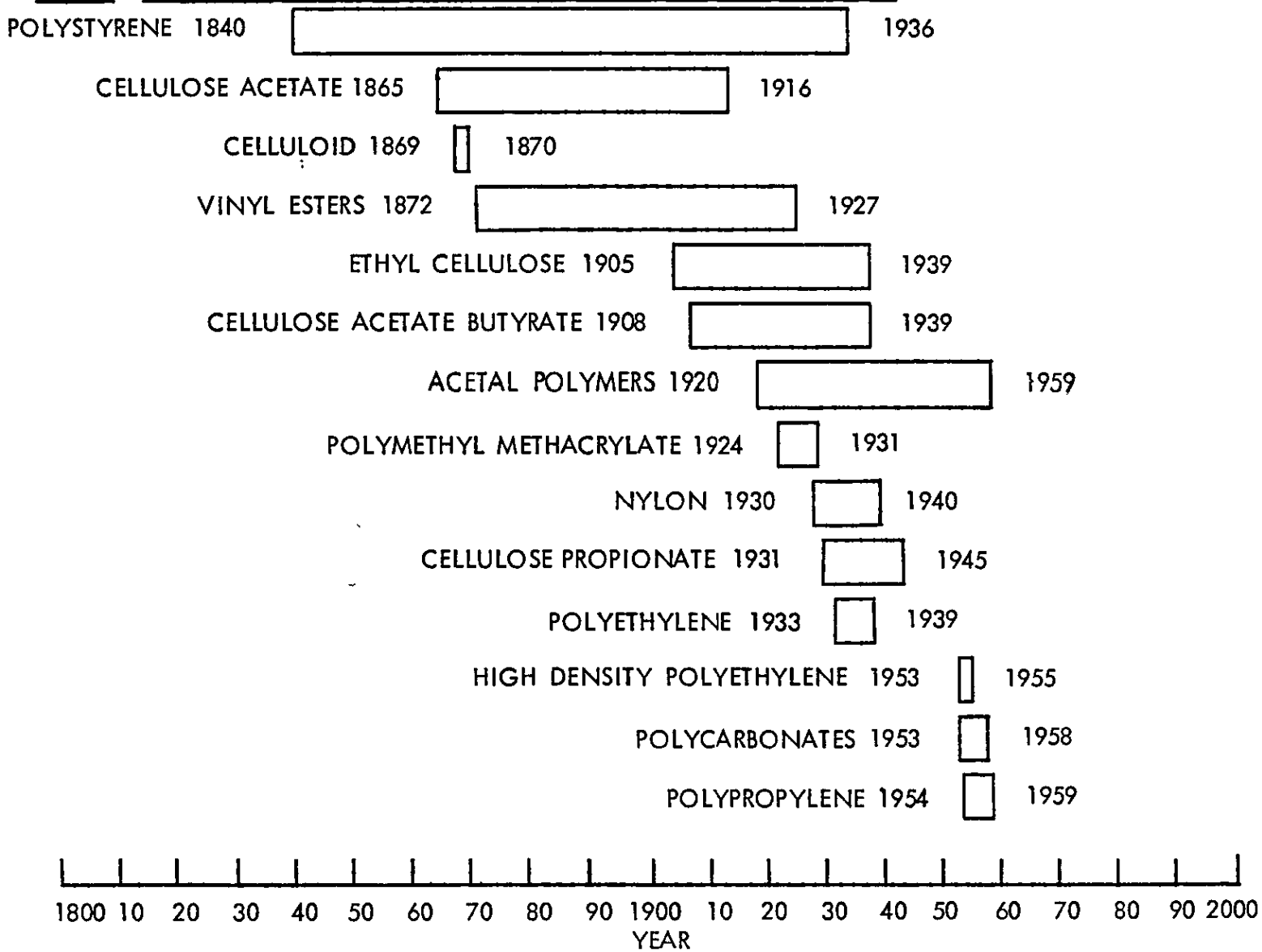
Similar trends traced by Pippard[8] in physics-based industries are shown in Figure 1. More recently, it has been reported[9] that a new technique for synthesising high polymer plastics invented in 1964 by Allen Hay, a chemist at General Electric, resulted within a year in that company building plants and selling $10 million worth of this new plastic.

Implications for the smaller and medium sized concern

At first sight it might appear that these scientific and technological developments lend themselves almost entirely to exploitation by the larger company which can afford the high costs of research and development activities; is able to offer facilities and has an image which enables it to recruit and retain highly-qualified personnel; and, finally, has the capital (or the means to obtain it) to invest in advanced technology. In Britain, for example, we already have a number of quite new (i.e. those which did not exist in 1920) 'science based' industries such as pharmaceuticals, plastics, electronics, aircraft, air transport, man made fibres and nuclear energy, all of which tend to consist of large companies. Their potential developments - and the consequences for traditional industries - are probably enormous. If one looks at the information field, for example, one finds that IBM is currently supplying computers at a rate of over a thousand a month, yet is it believed by those

Figure 1 NARROWING INTERVAL BETWEEN DISCOVERY AND FIRST APPLICATION FOR CHEMISTRY

Source: The Flow into Employment of Scientists, Engineers and Technologists. HMSO Cmnd. 3760 1968.



involved, that the industry is still in its infancy. As the computer is an all-purpose and reliable means of processing information, the developments in this industry may well radically alter the more traditional industries concerned with the transmission, processing and storing of information. Similarly, one may expect developments in plastics to affect industries such as iron and steel, boatbuilding and construction. Some of these, however, may well be to the advantage of the smaller company, so the situation is by no means clearcut.

In the first place, although one might reasonably expect most innovations to be a result of the work of highly qualified scientists and technologists (and for such professionals to be found mainly in larger organisations), invention is by no means the prerogative of such 'qualified manpower'. As Jewkes, Sawers and Stillerman point out:

> "There are not a few firms which are very conscious of the danger that prolonged university training may inhibit or destroy the inventive faculty, and which therefore recruit their research workers from local technical schools and even from among the promising youngsters at the benches". (10)

Similarly, Langrish et al[11] have recently given examples of contributions made towards innovation by those with 'H.N.C.-type qualifications' and quote as an extreme case Sir James Martin, who holds over a hundred patents but no formal qualifications. Secondly, although it may well be, as Whitehead[12] has pointed out, that the greatest invention of the last century was the invention of the method of invention, a considerable literature has evolved on the problems faced by organisations in integrating research and development activities (a bibliography compiled in 1954 had 11,000 references).[13] It may be that collaboration of scientists in industrial research teams is not as productive as was once thought. W. H. Whyte,[14] for example, has drawn attention to the

fact that in the U.S.A. in the period 1945 - 1960, only one chemical reaction of any importance had been discovered by an industrial organisation. Similarly, Pym has written:

> " ..... sound organisation and freedom of action among scientists are important as other facilities. The success of scientific research in one country and its failure in another have been largely produced by organisational failures" (15)

Thirdly, the claimed reduction in the period between discovery and exploitation of inventions has also recently been called into question by Langrish et at,[16] who argue it would not be difficult to produce examples which show how the time lags have increased substantially during the past century.

It cannot be denied that often the cost of research and development is so high that it is outside the scope of the small or medium sized company, but it has to be remembered that much of this work takes place in industries which are already highly concentrated (e.g. electronics and synthetic fibres). In any event, smaller companies requiring research facilities can often call on universities, industrial research associations or government establishments for assistance. Indeed, many well known examples of technological innovation have been developed by individuals working in smaller companies. As Jewkes, Sawers and Stillerman have pointed out:

> "Many firms, while still small, have been responsible for successful developments which led to rapid growth. Texas Instruments with their development of the Silicon Transistor; the Minnesota Mining and Manufacturing Company with its Masking Tape and Scotch Tape; the Haloid (now Xerox) Company with Xerography; the Polaroid Corporation with its revolutionary type of camera - these are all well known cases .... In the development of Electronic Photosetting at least three small firms have made important contributions" (17)

The Bolton Report suggests that there is virtually no systematic or precise evidence on the extent to which technological advances have affected the position of the small firm since the 1930's.[18] Technical developments have increased the optimum size of plant of some industries (e.g. steel and chemicals) but these tend to be fields where the number of small firms has been low for some time. The Report notes, however, that "technological creep" has tended to increase the optimum size of plant generally.[19] In some cases, advanced technological equipment lends itself to utilisation by the smaller company - examples of this within the context of a specific industry will be given in Chapter VI.

It may be expected, therefore, that inevitably scientific and technological advances will affect the small and medium sized concern but they by no means threaten the continued existence of such units.

2. Economic Changes

Scientific and technological developments are obviously likely to be accompanied by changes in the economic sphere. As industry becomes more science-based there is a tendency - as Sargant Florence[20] has shown - for capital investment to increase and for the firms concerned to become more capital intensive. It is to be expected, therefore, that in some fields the amount of capital required for entry will be such that it will be outside the range of most individuals - or families. It is difficult to envisage an entrepreneur or a family firm setting up an oil refinery or an integrated iron and steel plant, for example. Where the cost of investment in technologically advanced plant is very high, this will often require a very large market to make

it worthwhile. This has led to markets becoming increasingly international and for organisations to grow in size in order to benefit from economies of scale. As the marketing of goods and services becomes more and more international, competition is likely to increase. Such developments may lead to situations where large firms will tend to dominate an industry - control its price structure and be a constant threat to the smaller enterprise which does not have the benefits of economies of scale. Already some British industries have faced crippling competition (e.g. aircraft and motor cycles) from overseas manufacturers and competition generally may be expected to intensify when the United Kingdom enters the Common Market.

This trend for the concentration of industrial power and the development of conglomerates is likely to continue. Perlmutter[21] has predicted that by the year 1985 the world's industrial economy will be dominated by two hundred multi-national organisations. The Report of the Bolton Committee has shown how the share of the hundred largest companies in manufacturing, mining, construction and distribution in the total profits of British companies has roughly doubled since World War II.[22] It also shows how the contribution of the small firm to national output and employment is declining. It notes:

> "The number of small firms in existence in the United Kingdom is also decreasing and the total real output of small firms in manufacturing was virtually static between 1958 and 1963, a period in which total manufacturing output rose by 25 per cent" (23)

Another important economic trend in the West, at least, is that for greater affluence among the entire working population. As a result, consumers have become far more sophisticated and demand goods and services that were the preserve of the rich a few decades ago. The stage of economic development

reached is on the threshhold of the post industrial society - a society in which the major economic problems lie in the consumption and distribution fields rather than in production. This trend also has implications for the future patterns of ownership: it may well be that the high cost of introducing advanced technologies will be shared more generally in the population in the future than it was in the past. Peter Drucker[24] has written that at the beginning of this century the capital market was less than 1 per cent of the general population. He estimates that in Britain at the present time the capital market is probably 25 per cent of the population and in America closer to 40 per cent.

Implications for the smaller and medium sized concern

It has to be borne in mind that most firms in British manufacturing industry are small or medium sized, as can be seen from figures contained in the 1963 Census of Production.

Table 1: Employment in British Manufacturing Industries

No. employed	No. of establishments	net output £ million	total employed 000's
1 - 49	60,947	1,029	857
50 - 99	9,033	743	635
100 - 199	6,449	1,097	905
200 - 499	4,991	1,992	1,530
500 - 999	1,617	1,572	1,118
1000 and over	1,189	4,275	2,795
Total	84,226	10,708	7,840

Source: 1963 Census of Production

Thus although it must be accepted that the trend for the concentration of industry is likely to continue, it can be seen that the small and medium sized company is likely to remain the 'typical' British firm for the foreseeable future. Some may be expected to grow into large firms, some will remain small companies and the remainder may go out of business. Much will depend upon the industry involved and the degree of determination and ability of the management of the company in meeting the demands of change.

An obvious role for companies in this size range is to produce parts or provide services for a larger organisation. The best example of this taking place probably occurs in the motor industry where the 'giants' are surrounded by thousands of small firms who supply components and sell or service their finished products. (It should also be noted that even in car assembly where four large firms predominate, a number of smaller concerns, e.g. Reliant, Marcos, are still able to compete.) This contribution of the small firm to the production of the larger company also probably explains, in part, the relatively poor export record of the smaller company. If one could take into account indirect and invisible exports, the export figures for small and medium sized companies would probably look far more impressive. In some fields of activity economies of scale are not possible and, in such cases, it is perfectly feasible for the small firm to compete on equal terms with the unit of a larger competitor (e.g. small hotel, shop in small village, garage, etc.). The trend for growing affluence among the entire working population is also likely to create demand for goods and services of a specialised nature (e.g. electronic equipment and yachting marinas) which may create additional opportunities for the small and medium sized company.

The Bolton Report concludes:

> "Our analysis so far provides no evidence for assuming that small firms are, in general, any less efficient than large, or vice versa" (25)

Economic changes, therefore, may be expected to reduce the number of small firms, but opportunities will continue to exist for newcomers to join their ranks. As Andrew Shonfield has noted:

> " ..... parvenu millionaires have not been in noticeably shorter supply than in other periods in the past" (26)

3. Social and Political Changes

Scientific and technological developments tend to be dramatic while social changes are usually more gradual and, therefore, less easily discerned. Technological change is sometimes accompanied by radical change in social life and Titmuss, for example, has noted some of the effects of the industrial revolution on society:

> "Much has been written about the breakdown of kinship ties and the close social integration of individuals and family groups as a result of the growth of factory towns, industrial movements, migration from the land, and the decay of old crafts and customs. Industrialisation demanded the breakdown of the mutual relationships of the extended family; paradoxically, the poor law struggled - though ineffectually - to maintain them. Industrialisation also demanded in the interests of efficient production the denial of much of the respect that youth had formerly given to age. The machine broke the hierarchy of skill and age in which young men learned to respect older workers and in so doing became, in their turn, self-respecting workers. It also contradicted and denied among manual workers the respect and civility that men had accorded to women as part of the social controls of rural communities. Thus, with the shift from domestic to industrial production women became more dependent on men, not only in economic terms, but in the psychological subtleties of their relationships. Authoritarian patterns of behaviour, sanctioned in the factory, were carried into the home. The survival of the family as a social unit became more dependent on the labour power, the health, and the strength of the husband and father - the one who now 'earned life' for the whole unit" (27)

As Titmuss also points out, recent technological developments may also be accompanied by "more subtle social and psychological effects". (28)

One major development in recent years has been the growth of organisations. As Hodgson, Levinson and Zaleznik note:

> "Ours is an increasingly organisational society. More people live and work in large, interdependent social systems than ever before in the history of mankind" (29)

In advanced nations, one finds complex organisations which enable highly differentiated skills to be exercised in the achievement of a range of tasks that no individual or small group could ever hope to achieve. The growth of such organisations may be expected to affect such things as the nature of work, the structuring of work groups, the educational levels required to perform certain tasks, and so on.

The value systems of people - and, in particular, young people - are also undergoing very considerable changes. These are demonstrated by changing attitudes towards such things as work, authority, marriage, the family as an institution, social class, and science and technology. This is not the place to examine these developments, or the reasons for them, but their existence is clearly demonstrated by student riots, growth of white collar unionism, widely reported changes in moral standards, unfilled university places in applied sciences, and so on. Other pertinent social trends are the changing role for women in our society, the emerging patterns of leisure activities, and the remarkable growth and spread of higher education.

In the political sphere it appears inescapable that the trend for increasing governmental regulations and intervention in economic affairs will continue.

This perhaps has been demonstrated by the present Government in its intervention in the affairs of Rolls Royce, Upper Clyde Shipbuilders, and various insurance concerns. It is also shown by State interest in training, industrial relations, company taxation, the abandonment of resale price maintenance, and the introduction of selective employment tax. It may be expected that because of growing public concern for the conservation of the environment, that this trend for increasing governmental intervention will become even more pronounced.

Implications for the smaller and medium sized concern

In an age where industrial societies are being increasingly dominated by giant companies and the State, the small firm has several advantages. Quite apart from its role in preventing monopoly or oligopoly, it is likely to have less fragmented work roles and its employees may be expected to have a relatively high degree of commitment. As Emile Durkheim wrote at the end of the last century:

> "Small scale industry, where work is less divided, displays a relative harmony between worker and employer. It is only in large-scale industry that the relations are in a sickly state" (30)

More recently, several writers[31] have drawn attention to the high morale and loyalty of employees in smaller concerns. Clearly, this goodwill of employees could be an important factor in meeting some of the demands of change.

Small firms also perform a useful social function in allowing people who have not achieved a great deal of success in the formal educational system an opportunity to set up a business or to hold managerial posts. The Bolton

Report shows that the majority of chief executives of small firms do not have any formal post-school educational or professional qualifications.[32] Such people would be unlikely to achieve similar status in larger concerns where increasing emphasis is placed on formal qualifications. A study carried out in 1969[33] for example, showed that even at the present time, among the five hundred largest companies in Britain 40 per cent of chief executives were graduates and a further 20 per cent were chartered accountants.

Increasing governmental intervention may seriously affect the small or medium sized company. Changes in company taxation since the 1965 Finance Act, for example, have resulted in abnormally high mortality rates among firms in this size range.[34] Similarly, many small firms claim that the levy they have to pay training boards is a tax which they can ill afford. The present Government is currently considering the Report of the Bolton Committee which was established "to consider the role of small firms in the national economy"[35] and have already accepted and acted on one of its recommendations - the appointment of a Minister with special responsibility for the small firm. It may, therefore, be expected that some of the problems faced may be ameliorated in future months.

CONSEQUENCES OF CHANGE FOR THE BUSINESS ENTERPRISE

Landes has suggested that two things characterise modern industrial systems - rationality and change. Change he describes as:

> "rationality's logical corollary, for the appropriation of means to ends that is the essence of rationality implies a process of continuous adaptation" (36)

In recent years in Britain, however, as Rice has pointed out,[37] recurring economic crises have provided uncomfortable evidence that our industrial and commercial

practices are not adapting successfully and consequently are being left behind. We have seen failures to adapt to change on a grand scale in some of our basic industries, and these have usually been shrugged off as the fault of either the government or the unions. As has been shown, however, rapid changes are taking place in the scientific/technological, economic, social, and political 'environments' in which the firms operate and it may be expected that change will become an even more important factor in the future.

Although in order to maintain their existence business concerns need to 'import' from their environment such things as capital, manpower, raw materials, a wide range of general services such as electricity and water, and to 'export' their finished goods or services, there is often a surprising lack of awareness amongst managers of events taking place in the environment in which their firms operate. In the printing industry, for example, one frequently meets a lack of acceptance amongst master printers that technology is advancing as quickly as is claimed. (Printers are not alone in this inability to accept change, e.g. a year or two before the first Sputnik was launched, the Astronomer Royal pronounced: "Space travel is bilge".)[38] In the past when change was less rapid, developments could be introduced by what Schon has called "generational change",[39] (i.e. one generation awaiting the demise of its seniors before introducing change), but such a method is unlikely to be appropriate for the future.

Traditional attitudes to change usually result in attempts to defend the status quo. One frequently learns, for example, of firms which continue to employ traditional methods although more advanced and efficient methods are available. This can have unfortunate results as has been shown by Emery and Trist[40] who write of a company which had canned peas as its major product and, with a 65 per

cent market share, was the market leader in the post-war era. Factors outside the control of the company, however, began to affect its share of the market. Competition arose from quick-frozen peas, emergence on the market of a much wider range of canned vegetables and (due to changes in the pattern of distribution of retail goods) the development of their own brands by chain stores and supermarkets (themselves interesting as examples of large units entering an industry mainly composed of small firms). The market share of the latter rose from 1 per cent to 50 per cent within three years. The response of the company concerned was "an herculean effort to defend the traditional product"[41] which was a disastrous policy and ended by the parent company of the group concerned intervening and altering the product mix.

Much, of course, will depend upon the size of the enterprise, the industry in which it operates, and its plans for the future. Clearly, the small firm planning to gain a major share of a market or to achieve rapid rate of growth will face a different set of problems from the small company which intends to continue in its present form, possibly achieving a modest rate of growth. All will have to be aware, however, of their vulnerability to their environments. If, for example, a large proportion of a firm's output goes to one customer or is made under licence, what happens if the order is lost to a competitor or the licensing arrangement comes to an end? Similar conditions apply to its source of raw materials or certain categories of labour. Several strategies can be adopted to reduce strategic over-dependence of this kind. The enterprise can seek alternative sources of supply for raw materials or develop substitute materials. It can develop new processes with different labour requirements. It can develop new sales outlets for existing products, etc.

To meet the demands of rapid change, an enterprise needs to define its primary task, to decide what business it will be in in the future. As traditional markets

decline or become saturated, so there will be a need to create new markets by developing and marketing new products. It will need to analyse the knowledge or competence which it possesses - or can develop - and decide how this can be best used to exploit the market opportunities which the future business environment will give rise to. This may result in radical changes for some organisations. Firms in declining industries may have to abandon making products they have manufactured for generations and move into entirely new fields. It may mean recruiting scientists for the first time because their particular knowledge is required for research activities or to manage new processes. It may require generating more capital to finance the building of new plant. Such changes are never easily accomplished but they do help to safeguard the survival of the enterprise.

The main requirement on the part of organisations to meet the demands of change would seem to be flexibility. Changes in one area of the business will almost certainly tend to require adjustments in other areas. Technical changes, for example, will almost certainly call for related changes in the social system - there may be a need to change the values, customs, attitudes and possibly the social structure that together make the organisation. In periods of rapid change, it is to be expected that some skills - both manual and professional - may become redundant, that the relevant status accorded to different functions may alter, and that traditional values may become inappropriate. More general social trends may lead to situations where, in order to retain employees, management may have to accept far more participation in decision-making and acknowledge that it is likely to become increasingly difficult, if not impossible, to maintain adequate manning of dirty, unpleasant and menial tasks. The contribution that employees at all levels make to the enterprise is likely to become more recognised and this will be reflected in more attention being paid to the management of human resources and will probably result in even firms of modest size having a

specialised personnel function.

Unfortunately, organisations are not normally very flexible and are usually slow in adjusting to changing conditions. Donald Schon has referred to this resistance to change by social organisations as "dynamic conservatism" that is "minimal compliance with the demand for change".[42] Some of the research carried out into problems faced by organisations in coping with change will be discussed in Chapter IV, but findings to date largely seem to confirm Schon's view. For example, Joan Woodward reported in 'Industrial Organisation: Theory and Practice',[43] that in every case she looked at there were two main problems. The first of these was that the process of carrying the change through was disappointingly slow in relation to management's original aims and expectations and, secondly, despite attempts to plan and prepare for change, there was resistance to it by lower levels of supervision and shop floor workers.

The small or medium sized enterprise which does not adjust to changing circumstances will tend to find itself under pressure. The market for its product may dwindle. The price of its product may appear extremely high, because competitors are able to offer lower prices due to economies of scale or the use of more advanced technological equipment. Its reputation as an organisation and the nature of its jobs may be such that people are reluctant to work in it. Firms in this size range who do make adjustment, however, may reasonably expect to continue in business for, as has been shown, it is still possible for a small company to compete successfully in an industry dominated by a few large firms, even in an industry which employs advanced technology.[44] It is likely, however, that this will become more difficult in the future because of the problems involved in obtaining the large amounts of finance required. Nevertheless, as Merritt and Lehr have pointed out:

> " ..... there are, in fact, specific areas within almost every industrial classification where the smaller enterprise is the most efficient unit of activity" (45)

and the future for the small and medium sized firm which is able to be flexible in its approach would seem to be assured.

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"The evidence available points to the conclusion that there is no simple uniform trend towards fewer and bigger firms, but rather there is an increasingly important range of industrial activity, dependent on research and development of the wide ranging type characteristic of the industries in the most dynamic sectors of modern technology, which requires the support of firms that have grown beyond a very substantial size"

45 MERRETT, A. J. & LEHR, M. E. (1971) The Private Company Today London: Gower Press p 30

CHAPTER III

PARTICULAR PROBLEMS OF ADAPTATION TO CHANGE LIKELY TO BE FACED BY FAMILY FIRMS

> "The undeniable charms of the family firm, like those of the palace or the squire, are dangerous for a country that must come quickly to terms with change" (1)
>
> Anthony Sampson

> "Social relations are closely bound up with production forces. In acquiring new productive forces men change their mode of production; and in changing their mode of production they change their ways of earning a living - they change all their social relations. The handmill gives you society with the feudal lord; the steam-mill society with the industrial capitalist" (2)
>
> Karl Marx

As was described in Chapter I, early forms of industrial and commercial organisations tended to represent an extension of the family. In such times, as Talcott Parsons has taught:

> "Capital and enterprise were more important than high technical competence, and organisations were simple enough to be created and managed almost ad hoc by the entrepreneur himself" (3)

As we have seen from Chapter II, however, most modern industrial and commerical concerns function in a rapidly changing environment and, in order to survive, they have to constantly adjust themselves to meet new conditions. There is evidence to suggest that the family business is particularly vulnerable during periods of rapid change. Landes,(4) for example, has attributed the slow economic growth on the Continent to the continuity of family enterprises and, certainly, in most advanced

industrial nations the trend has been for the functions of ownership and management to become distinct. More recently a research paper prepared for the Bolton Committee suggests that firms managed by second and subsequent generations of the founder's family grew more slowly than those under the founder.(5) In this chapter some of the particular problems of adjustment to change by the family will be considered. These can be conveniently examined under the following headings:

OBJECTIVES

When asked to define their objectives, directors in family firms will usually mention achieving high return on capital employed and fast rate of growth of turnover but, in practice, their behaviour frequently suggests that such aims lie low in their list of priorities. Although some family businesses are highly profitable, many continue trading long after they should have gone into liquidation on the basis of any rational economic assessment of their viability. Dr. Frances Singer, Managing Director of Chesham Amalgamations, for example, has been quoted as saying:

> "It is not uncommon to find family firms which haven't the first idea of the profits they should, or even are, making, just stumbling along by inertia, making say £20,000 a year on resources of £1 million" (6)

The lack of interest in profits per se may be due to the fact that those concerned are already relatively affluent or may be a reflection of the way some of them see their businesses as trusts providing a way of life for themselves and future members of the family. In some fields the emphasis is not on running a business but in continuing a craft tradition - this is reflected in the use of such terms as master printer or master builder. In some printing firms, for example, the standard of work produced is far higher than that called for by the customer but it does satisfy the craft standards of those involved. Unfortunately, as Professor Pollard has

pointed out, the pursuit of perfection is apt to play havoc with costs.[7] Individuals with such a love of tradition and respect for a craft are unlikely to be in the van of technological advance - particularly where this results, as it almost certainly will, in changes in the skill requirements involved. They might also be expected to consider it unthinkable that the business they run should move out of its traditional field of activity into a new industry. Thus, although the academic may proclaim: "the business of business is business; economic business to create economic values and to minimise economic costs",[8] such firms are likely to continue 'in business' long after their product or service has ceased to be profitable.

In some cases the family enterprise provides the members of the family with a living but little is done to expand or reduce costs. As a Bow Group pamphlet points out in such cases:

> "The future is, of course, being mortgaged in favour of the present and when really serious competition is encountered they may try to reduce costs in a way that would endanger long-term efficiency, by failing to renew equipment and by falling behind the market in terms of salaries and working conditions" (9)

The reasons for the continued operation of some of these businesses may be social. Graham Turner has suggested, part of the satisfaction to be gained from running a family business may be from the status it provides in the local community. As he explains:

> "Without their tiny factories, they were nothing: with them, they were Mr. X, potter, and a name, if not to be reckoned with, at least to be included on the membership and invitation lists for a variety of local institutions and celebrations" (10)

The general lack of interest in growth (again there are notable exceptions like Marks and Sieffs at Marks and Spencer) can probably be attributed to a reluctance to seek public money and thus allow 'outsiders' into the boardroom;

or a general fear of 'bigness' and the problems which accompany size. It may also be due to events in the family affecting the policy of the firm. Wedgwoods, for example, it is reported[11] did no business in Germany for twenty years because Mrs. Cecil Wedgwood's husband was killed in the First World War. The objectives of family firms, therefore, are likely to be varied and certainly not only economic.

INVESTMENT POLICY

In a public company with multiple shareholding the management will seek to satisfy its shareholders, but will not know them personally. As Miller and Rice[12] point out, however, in the family business the management will be very much aware of the needs and expectations of its shareholders and may have to adjust company policy to meet these needs. This may require it to act in a way which prejudices the long-term future of the business. For example, the cost of modernisation is often high. Where a business wishes to expand, but does not intend to seek outside assistance, its directors may decide to restrict dividends for years in order to purchase the new plant it requires. Such a course of action may be violently opposed by members of the family not directly involved with the running of the business, but who depend upon the return on their shares in it for their livelihood. In one firm visited by the writer, for example, the plant was most antiquated but it could not be replaced because the major shareholder - an aunt of the managing director - consistently refused to allow further investment because she wanted the maximum possible distribution of profits. She required the money - one was told - for a charity to support aged horses in the Middle East!

Conflict arises, of course, because the non-executive directors tend to consider that the investment strategy proposed is primarily devised to satisfy the personal ambitions of those members of the family concerned with running the business and they

may feel that their interests would be best served by being free to invest surplus income as they see fit. The executive directors, on the other hand, are likely to see any surpluses as belonging to the firm and not the family. Such potentially explosive situations are often long remembered. In the history of one family business known to the writer, there is a passage which relates:

> "On one occasion (c.1886) another cousin, not one employed in the firm, was being entertained. He was a considerable shareholder and misguidedly used the occasion to complain about the size of the dividend. High words followed and he sent for a cab and left in a huff. This enraged one of the other members of the family so much that he seized the remains of a large batter pudding, hurried down the stairs with it and hurled it through the cab window with a remark to the effect that anyone so grasping would doubtless be delighted to have the remains of a pudding. From that day until 1941, when the private house was destroyed, pudding was never allowed again to appear on the dining room table" (13)

Although such conflicts are usually resolved less dramatically, they do tend to result in compromise which produces an inadequate programme of investment with a consequent falling behind in technical development.

If insufficient funds are available for expansion from within the business, an obvious alternative is to seek money from outside. In some private family businesses this tends to be strongly resisted because it implies sharing control of the enterprise with outsiders. In some of them, however, the effects of death duties and capital gains tax combined with the ever-increasing cost of introducing modern technology, have resulted in shares being offered to the public. In 1969, for example, Lord Cowdray's family business - which had been a private company for 125 years - offered ten million of its ordinary shares to the general public. This, it was reported, was: "one of the biggest issues the stock market has ever seen" and was attributed to the "need to guard against the inevitability of death duties".(14) As Lord Cowdray remarked later, however, it would be much easier to make acquisitions as a public

company because one could offer a marketable security in exchange. On the other hand, Lord Pilkington has said that if Pilkingtons had gone public fifteen years ago, it is doubtful whether resources would have been available from the public for the development of their revolutionary float glass process - the cornerstone of that company's future development.(15) When shares are bought by the public, however, even though the family may retain effective control, such control is less secure than it was previously and the functions of ownership and control are likely to become more distinct as time goes on. Perhaps this is one of the reasons why men like Sir Alfred Owen (head of Rubery Owen) have strongly resisted going public although he has admitted: "we have to soft-pedal on expansion because of lack of capital".(16)

MANAGEMENT

Managerial ability of a high order is likely to be required by firms undergoing rapid change. It is also needed far more than is frequently appreciated in the smaller enterprise generally. (Most family businesses, of course, come within this category.) As Peter Drucker has written:

> "Most small businesses believe they need management less; they need management more. A large business can hire a lot of specialists; a small business cannot and, therefore, has to be better at what it is doing ..... And they have a different but very serious problem of management succession. Precisely because they are usually family companies and because they cannot offer a great deal to the professional non-family man, unless they make him an owner, which is not easy with our tax laws" (17)

It is in the area of managerial competence, however, that the family firm is probably most subjected to criticism. Sofer concluded from his research:

> "The problem of recruiting inadequate middle management was inseparable from the practice of reserving senior appointments and directorships for family members" (18)

Miller and Rice report:

> "A family that, while remaining united, can produce a management succession and at the same time use its inherent violence to compete successfully in business affairs is both skilful and fortunate" (19)

and Carter and Williams comment:

> "If a small firm adds to all its other problems the financial difficulties of maintaining family control, and recruits its senior management mainly from the narrow circles of the founder's family, it requires unusual luck to remain vigorous and progressive" (20)

Such criticisms are by no means restricted to family businesses in Britain. In his book on industrial relations in the American printing industry, for example, Munson suggests:

> "It is reasonable to expect that in an industry where family management is a virtue, the over-all quality of management will not be high" (21)

Remarks of this nature lead one to ask the question, why does management in the family enterprise receive so much criticism?

In the first place, it must be realised that many family members concerned with running their family firms are in their posts because the expectations of other members of the family were that they should join the business and they have never seriously considered any other employment opportunities. In some cases, individual family members have sought after other careers but family pressure has been such that they have abandoned their plans and joined the family enterprise. They may, therefore, be working in the firm from a sense of duty and have little interest or aptitude for the work they are called upon to do. It is not intended to suggest that <u>all</u> family members in a firm come within this category, but one might reasonly expect a fair proportion of 'family managers' to be included. The problem arises,

of course, because such managers obtain their posts by virtue of their membership of a family and not on the basis of their abilities or achievements. It is the latter, however, which are of crucial importance in the modern enterprise. Landes describes the changes which have taken place as follows:

> " .... just as the industrial system tries to combine non-human factors of production efficiently, so it will seek to maintain its return from wages and salaries by putting the right man in the right place. This 'universalistic' standard of selection contrasts sharply with the so-called particularistic criteria of the pre-industrial society, dominated by agriculture, landed property and an Establishment vested on interlaced family ties and hereditary privileges. Men are chosen, not for what they are or whom they know, but for what they can do" (22)

One sometimes feels considerable sympathy for the difficulties faced by many of these 'family managers'. There seem to be five main problem areas.

The first arises because of confusion of roles in the family and in the business. From time to time one hears of cases of men in their forties, working in their family business, being treated as children. This may be due to a failure of the fathers' to recognise their sons as mature men or, alternatively, it may be because they are looked on as successors and inheritors, and not just as junior colleagues and subordinates. In the latter case they may be mistrusted as being likely to be preparing for the day when they take over, rather than doing the job which they are set. It is certainly the case that often such 'family heirs' spend years on low salaries and are treated in a far more autocratic way by the chief executive than anyone else in the business. Even if they are given important posts in the firm, it is likely that such changes will really be changes in title and will not be accompanied by much additional authority. It can hardly be expected that being treated as a child provides suitable training or experience for a senior management post. Thus when the chief executive does leave, his subordinates have little or no experience of exercising authority and may find that the situation is complexing and overwhelming.

Another difficulty which occurs is due to changes in social values. Democratic ideals and general belief in social mobility tend to make family members holding management posts in their family businesses somewhat defensive. They may find themselves in senior posts at a relatively young age (possible due to an early death in the family) and feel the need to demonstrate outstanding ability in such roles. The strain involved for some individuals in such positions much be considerable, for clearly they do not normally owe their posts to their ability only even if, in fact, they do happen to be extremely able.

A third problem area is in the question of management succession. Rapid change is likely to make very great demands on the leadership of an organisation and there may be a need for relatively frequent changes of chief executive, perhaps every decade. Such a situation presents a considerable problem to the family members involved in the running of their business (where typically chief executives hold their posts for very long periods of time). Should the aged chief executive who is completely out of touch with the market be forced to resign? The situation is obviously far from clearcut if the chief executive is also the father, grandfather and uncle of those involved. Other difficulties of management succession occur when it is generally realised that the son or sons in the business are not able enough to take over the running of the business. The agonising decision has to be made by the family whether to 'take a chance' on one of these family candidates or to look outside. The conflicts the latter course of action would cause within the family circles can easily be imagined. Particular problems occur also when the founder of a business retires. Such entrepreneurs are likely to possess what McClelland has termed a high need for achievement (n Ach).[23] The same writer has proposed that there is a strong relationship between personal qualities associated with a high need for achievement (e.g. the desire to have full personal responsibility

for results; the tendency to set challenging standards, the desire for 'feedback', and to have rewards on the basis of performance) and successful entrepreneurship. Unfortunately, such individuals often have problems in delegating or in recruiting people, who are likely to violently disagree with their policies. Some interesting research in this field has been carried out by Davis.[24]

Other problems of role confusion occur in the relationship between those managers in the family business who are members of 'the family' and those who are not. Family members in a business occupy three roles simultaneously.

1. As members of the family, they are concerned with investment decisions on the family's behalf. In such a role they have the responsibility for ensuring that investments are wise and income for the family adequate.

2. As directors of the company, they are responsible for investment decisions within the firm. Here the requirement is to find the capital required by the company and to invest it in such a way as to assure the future of the business.

3. As managers in the firm, they may be in charge of specific functions, which put them in the role of advocates as well as judge when investment decisions are concerned.

All functional directors occupy the last two roles, of course, but it is only in the family business one finds one person filling all three. Obviously these roles conflict to some extent and nowhere can this be seen more clearly than when 'family managers' are in discussion with other managers on investment matters, for if a disagreement arises the owners can always say as a last resort that the money is theirs to spend as

they see appropriate. Again, investment proposals put forward by family members in their executive roles usually have a greater chance of succeeding than those from other managers. Miller and Rice have suggested that non-family managers in family firms may be technically competent but exchange the exercise of power for being looked after by the family.(25) Sofer has suggested that in recruiting people from outside, the standards may be unwittingly kept low in order to maintain a feeling of unambiguous superiority on the part of the family members.(26) In any event, firms where non-family members are treated as second-class citizens are hardly likely to recruit first rate managers. Even where they do, such people often leave when they realise that the top posts are reserved for family members or, that even if they are given seats on the board, this change is one of status and not of role.(27) (The non-family member elected to the board is often expected to adopt a passive role in board proceedings.) Where able outsiders cannot be recruited (or will not be recruited because of the implied threat to family competence) such a situation requires the family itself to produce enough children themselves to ensure that the various managerial roles are filled when required. The task of producing an adequate supply of competent people as and when required by the business is, of course, a task usually well beyond the scope of most families. It is also likely to be a source of strain within the social system of the family. Finally, problems occur because family members have usually undergone a long socialisation process during which craft values are likely to have been highly prized. Any revolutionary technical changes that are proposed, therefore, are likely to conflict with these values as they may require them to discard methods and procedures well-regarded by their seniors who were responsible for training them. They may also feel that the introduction of new technology, which made

redundant the work of old established employees, would be disloyal to these servants of the family and resist the changes out of a sense of loyalty to them.

Many of these problems are not unique to the family business, of course, but they are certainly to be found more often in such concerns. They seem to occur because the family firm consists of two social systems - the family and the firm - which, although interwoven, frequently have conflicting aims and ideals. A value commonly stressed by families, for example, is helping one another, but if someone holding a senior post in a business recruits staff because they are his relatives and need assistance, this does not augur well for the business. Miller and Rice[28] have explained how an important value in the family is unity. Thus, in the family business, where the social system of the family overlaps with that of the firm, there is a tendency for conflict either to be suppressed or for those concerned to react in an over-sensitive way to any signs of it. In the former case the most frequent result is that the policy of the firm represents a series of compromises and, in the latter, family considerations are introduced in a situation where they are not really appropriate - as when charges of disloyalty are brought against a member of the family who opposes the business policy proposed by the other family members.

Such problems clearly hinder the speed at which the enterprise can adjust to change. Concentration on the problems of the family enterprise, however, may lead one to consider that such difficulties are insurmountable and that the family enterprise has no advantage over other business organisations in respect of change. This is by no means the case. There are many instances where family members have been prepared to make sacrifices for years in order to enable the firm to make investments. The loyalty of employees at all levels may be a most valuable asset

during difficult transitional periods when industrial relations problems, for example, could be critical. Senior management when they own the business, are unlikely to leave to take up other posts and thus hazard the future of the firm. It is also sometimes possible for the private company to be more adventurous in its strategy. For example, Roy Randolph, the chief executive of Wilkinson Sword, has been reported as saying:

> "We would never have taken the gamble with our stainless steel razor blade in 1961 if we had been a public company and had to worry about outside shareholders" (29)

Nevertheless, despite some advantages in adjusting to change, one has to reach the conclusion that in the family business these tend to be outweighed by the disadvantages. The family business operating in an advanced industrial society is vulnerable: it may be lacking finance, managerial skills, technical knowledge, have outdated values and attitudes and usually does little about improving the situation in any systematic manner. Even when it does, its efforts may be thwarted. The family may provide very able managers at the present time, for example, but will it always do so? The large public company will usually have a formal management development programme to ensure its future supply of managers: the family business tends to hope for the best. Such strategies may have worked in the past, they are unlikely to be as successful in the future. Even where the family business does have a formal management training scheme, there is a tendency for able young people to spend a few years in the firm and then leave for a larger concern where they can compete on equal terms.

Stinchcombe has demonstrated how work by unpaid members in an enterprise is still found in industries which already existed prior to the nineteenth century, but is

virtually absent in all later industries.[30] In the same way, although there are important exceptions, one would expect the family firm to predominate in traditional industries and to be rare in the newer, science based industries. As the latter become more important, therefore, one may expect the number of family enterprises to decline. Those operating in traditional fields will also need to make adjustments if they are to remain economically viable. Suggestions on how they can do this will be discussed in Chapter XI.

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27 For example, Wates the large private building firm who have admitted to practising "nepotism in excelsis" (see TURNER, GRAHAM, op. cit. p. 224) lost the services of the managing director of their housing division in 1970. He was reported as saying (The Times 18th August 1970):

"I've just had differences of opinion with the family owners ..... Inevitably in a very tight-knit family company where you've got five sons who are all determined to play an active part it is very difficult for a non-family man"

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CHAPTER IV

RELEVANCE OF ORGANISATION THEORY

> "The basic question is how best to coordinate human activities in order to make a highly rational unit, and at the same time to maintain social integration, the normative commitments of participants, and their motivation to participate" (1)
>
> Etzioni

An organisation differs from other forms of social groups in that it has been deliberately established in order to attain specific goals. Thus armies, hospitals, prisons, industrial and commercial enterprises, may be regarded as organisations, whereas other forms of social unit such as the family, a crowd or a race, should not. The problems inherent in the design and functioning of organisations has intrigued men for centuries - some of the earliest writings are to be found in the Book of Exodus[2] but as March and Simon have pointed out:

> "there is in the literature a great disparity between hypotheses and evidence. Much of what we know or believe about organisations is distilled from common sense and from the practical experience of executives. The great bulk of this system and lore has never been subjected to the rigorous scrutiny of scientific method " (3)

The theory of organisations is a diffuse body of knowledge drawn from disciplines as varied as psychology, sociology, social anthropology, political science and economics. It is to be found in a wide range of books, journals, research reports, conference proceedings and unpublished sources. It is also by no means 'a theory' but rather a series of theories or partial theories, some of which are incompatible. These theories also vary considerably in terms of basic concepts and the extent to which they are, or are not, empirically verifiable.

More recent work in the field has been research based and has made at least some contribution to prevent what has been termed: "the premature crystallization of spurious orthodoxies".[4] In this chapter a summary will be given of some of the writings which were found by the writer to be useful in providing conceptual tools to assist in carrying out research studies in family firms.

THE WORK OF THE TAVISTOCK INSTITUTE OF HUMAN RELATIONS

Research workers from the Tavistock Institute have developed two concepts which have been found to be of considerable value in studying organisations. One of these is the notion of the organisation as a socio-technical system;[5] the other is the view of the organisation as an open system.[6]

The socio-technical approach assumes that every organisation is both a system of work activities and a system of social relationships and that these two sub-systems are in a state of continuous interdependence. The system of work activities arises out of the need to break down the overall task of the organisation into discrete tasks to be performed by individuals and work groups. People performing work roles, however, do not confine their behaviour to the tasks allocated them - they interact as 'whole' persons. Thus their relationships with each other, their attitudes to work and to the organisation, the systems of status and authority which regulate their interaction, and so on, are all part of organisational life and are reflected with greater or lesser formality in the organisation structure. The strength and cohesion of this system of social organisation partially determines the extent to which the organisation is able to achieve its task, and in order to understand the structure and functioning of an organisation, the characteristics of the social system must be taken into account.

As the social and technical sub-systems of an organisation are mutually interrelated, it follows that changes in one will require corresponding changes in the other. In the early stages of their work, the Tavistock researchers attempted through experimentation in work situations, to arrive at organisation structures which were not only successful in obtaining the effective performance of work tasks, but also met the human and social needs of those involved. In some examples as disparate as an Indian textile mill and coal mines in Britain, they were successful in achieving such joint optimisation and provided some convincing evidence of the superiority of such structures (as measured by productivity, quality, costs, job satisfaction, etc.) over those developed solely to meet the needs of the task. Work published more recently by the Tavistock Institute suggests that it has become to be realised that cases of successful joint optimisation have occurred in situations where the rate of technical change was intermittent and in between adaptations the organisations concerned were in relatively stable states. As has been illustrated in Chapter II, however, we are now undergoing a period of ever-increasing technological change and it has to be accepted that in many situations there will be irreconcilable conflict between the demands of the technical system and the conditions which must be met if human and social needs are to be satisfied. It is probable that there are relatively few cases where joint optimisation can be achieved successfully.

The open system definition of organisation places emphasis on the relationship of the organisation with other systems in its environment. Here the thesis is that the survival of an organisation is dependent on its continuing ability to carry through a process of exchange of goods or services with other organisations or social units. It follows, therefore, that an organisation cannot develop in ways which simply

reflect the aims or motives of its members or its leadership, since it will always be subject to constraints imposed upon it by the nature of its relationship with the environment. Similarly, changes in the need of the environment will demand changes within the organisation if it is to continue in existence. This requires the structure of an organisation to be sufficiently flexible to enable it to meet changes in external circumstances.

Three Tavistock researchers, Miller,[7] Rice[8] and Sofer,[9] are among the few workers in the organisational field who have paid attention to the particular problems of the family firm. In their book 'Systems of Organisation',[10] Miller and Rice explain how in a family firm, the family (members of what they term a single sentient group - defined as a group that demands and receives loyalty from its members) is simultaneously responsible for two activity systems - that of the family itself and that of the task organisation (the firm). Involvement of any one group in two systems of roles in this manner may mean that individuals relate to one another in different ways, thus creating tensions similar in some respects to those experienced by an individual occupying multiple roles. Such tensions - referred to by Kahn et al as inter-role conflict - have been described by those writers as follows:

> " ..... the role pressures associated with membership in one organisation are in conflict with pressures stemming from membership in other groups. Demands from role-senders on the job for overtime or take-home work may conflict with pressures from one's wife to give undivided attention to family affairs during evening hours. The conflict arises between the role of the focal person as worker and his role as husband and father" (11A)

The dysfunctional nature of kinship and occupational relationships being combined in the industrial situation has been pointed out by Talcott Parsons:

> "Its (i.e. the modern type of 'industrial' occupational structure) primary characteristic is a system of universalistic-specific-affectively neutral achievement-orientated roles. There must not only be particular roles of this type but they must fit together into complex systems both within the same organisation and within the ecological complexes linking individuals and organisations together. It is out of the question for such a role system to be directly homologous with a kinship structure, so that it should be essentially a network of interlocking kinship units, as many other social structures, like the feudal, tend to be. It must for a variety of reasons be segregated from the kinship system, because certain ranges of freedom independently of kinship pressures, including freedom of mobility, i.e. change of status, are essential to it" (11B)

Miller and Rice describe how when the boundaries of two activity systems coincide in this way, this is likely to lead to mounting feelings of tensions which are experienced as conflict among members of the family, (i.e. not as conflict between work colleagues). Etzioni also draws attention to the likelihood of high levels of tension in organisations where participants share many activities. He specifically refers to the release of family tensions obtained by family members interacting at work with people outside the family circle and suggests this is one reason why some organisations will not employ both husbands and wives.(12) Miller and Rice suggest some adaptive mechanisms which may be adopted and these, together with Sofer's work on management succession problems in family firms, will be referred to in Chapter XI.

The general conclusion which emerges from these studies is that the traditional family firm is highly resistant to change and requires conditions of stable equilibrium in order to be effective. As Rice has written:

> "Family businesses are particularly vulnerable during periods of rapid change. One of the forces that encouraged their growth derived from a feudal, but nevertheless secure, background in which members of a family occupied the leading positions in an enterprise, and in return looked after, in their way, those who worked for them. To retain control under modern social and technological conditions, a family has to produce an ever-increasing number of men and women who can take willing office by virtue of their skill rather than of their name - a task that most families find beyond them.

> In a typical family business both leaders and followers could usually depend on one another, and accept their relationship. In the good family business the pattern could, and did, remain remarkably stable, in spite of the frustrations for those non-family members who had aspirations to positions of power. When improvements in technology lead to increased demands for capital and different kinds of management, and in addition social conditions change the expectations of both leaders and followers, there is perhaps small wonder that comparatively few such businesses have survived in their family form with family leadership. Nor is it surprising that non-family members who have grown up and attained high rank in a family business should find non-family leadership less easy to follow" (13)

A finding of more general significance from the Tavistock studies is that in all firms undergoing change it may be expected that traditional social systems - although most satisfying to their members - can positively hinder change. If technical advancement and economic growth are to be achieved, therefore, it must be expected that social costs will be incurred as small cohesive work groups are replaced by less satisfying forms of social organisation (e.g. car assembly). However, as the Tavistock research workers point out, forms of social organisations that are not economicably viable will not survive and will not, therefore, be able to fulfil either material or social needs in the long run.

AUTHORITY, POWER AND LEADERSHIP

In order to function, organisations require a group of people to behave in accordance with a system of roles expressly designed for the purpose of carrying out the task of the organisation concerned. The more complex the organisation (i.e. the more roles are differentiated and interdependent) the greater will be the need for a set of managerial or supervisory roles to coordinate the activities of the remainder. As Bendix has expressed it: "Wherever enterprises are set up, a few command and many obey".[14] The legitimisation of this ability to exercise power - to issue rules, instructions, commands and so on - has attracted

considerable attention from organisational theorists. Max Weber, for example, has distinguished three pure types of authority which he termed the rational-legal, the traditional and the charismatic.(15)

1. Rational-legal authority is that exercised by an office holder within the limits laid down by legally sanctioned rules. Such rules may be regarded as 'rational' in the sense that they would have been originally devised as means to enable the organisations to accomplish their objectives and would include the procedures for the appointment or election of office holders. Such authority is functionally specific, for outside their particular spheres of activity - the office holders as individuals - hold no more authority than anybody else. This type of authority is that which predominates in most large organisations, whether they be industrial companies, military units or educational institutions.

2. Traditional authority is that exercised by a person occupying a position because he has inherited it. In such a system people do not look to a rational framework of rules as the foundation for authority, but to tradition and precedent. This is the type of system one would expect to find in the more traditional, old established family firm and examples of it will be given later. A problem with this form of authority is, as Katz and Kahn have pointed out,(16) that when changes are required they are dependent for their acceptance upon those in authority justifying developments as traditional values which they want implemented in new ways, i.e. changes cannot be accommodated by the introduction of new rules - or procedures.

3. Charismatic authority is dependent upon the extraordinary capacities and achievements or personality of a person - the charismatic leader. The

basis of this form of authority, therefore, is neither a framework of rules, nor tradition, but the recognition by others of the leader's right to command. The subordinates of the charismatic leader resemble disciples. They receive their authority from the leader - not from their office - and, in return, render him a personal loyalty, as distinct from loyalty to an office or status. The subordinates are also disciple-like in that they carry out tasks for the leader rather than discharge the responsibilities of an office. In the industrial field, charismatic type leaders do exist in large-scale bureaucracies, but are much more likely to be found in the relatively newly founded first generation family firm under entrepreneurial leadership. Although less dramatic than other forms of charismatic leaders in that they do not involve themselves in religious movements or political revolutions, entrepreneurs do exhibit many similar qualities. It is a form of leadership which is particularly functional when founding a business or attempting to achieve rapid growth and change. (An interesting example of such a case is given in Chapter VII.) Charismatic authority, however, is most vulnerable for it is dependent for its continuance on the perpetual high performance of the leader. As Weber expressed it: "If success fails him, his authority falters".(17)

Naturally, these three forms of authority are 'ideal types' and are never likely to be found in their pure form. Organisations also differ in the extent to which they rely on any one form of authority and all may be present simultaneously.

In the entrepreneurial firm, for instance, there will be a tendency over time for the charismatic authority of the entrepreneur to be replaced by traditional or rational-legal authority, as the manner of heriditary succession

becomes established or rules and procedures are developed. This will become necessary at some stage anyway for, as Stanley Davis has pointed out: "Men die, but organisations generally continue beyond the life of their leader".[18] Some of the cases in Part Four will illustrate the difficulties faced by enterprises as they attempt the transition from reliance on traditional or charismatic forms of authority towards the development of rational-legal structures. It will be seen that in cases where the family still retains effective control a mixed authority system is in operation; for being a member of the family remains a source of authority, and authority based on status in this way is not circumscribed and limited in the way that it is when vested in an office. Where the two authority systems exist side by side invidious comparisons can be made and the situation can be confusing and frustrating for those involved. Davis has made a study[19] of entrepreneurial succesion which he maintains is crucial as it determines whether or not an organisation will continue to exist after the departure of its founder. In all cases of transition from one form of authority to another, however, considerable adjustments in attitudes and behaviour are required both on the part of those who exercise authority and those subject to it. Failure to appreciate this and to make adequate preparation for it may well have been an important factor when family businesses have attempted unsuccessfully to model their organisational structures on those of larger publicly-owned corporations.

Another writer who has examined the question of authority in organisations is Amitai Etzioni.[20] Etzioni has classified various types of organisation into three main types according to the authority or power system which the organisation uses. He proposes that there are those which are mainly coercive (like prisons and concentration camps); those mainly utilitarian (such as

industrial and commercial enterprises) and, finally, those organisations which are mainly normative (e.g. universities and convents). He also classifies the involvement of organisational members into what he calls alienative (i.e. not psychologically involved), calculative (i.e. "a fair day's work for a fair day's pay) and moral (i.e. high degree of commitment). Although logically there are nine possible types of relationship between these two variables, Etzioni suggests there is a tendency for them to be related as shown below:

TYPE OF AUTHORITY		TYPE OF COMMITMENT
Mainly Coercive	-	Alienative
Mainly Utilitarian	-	Calculative
Mainly Normative	-	Moral

Thus in a prison one would not normally expect to find a high degree of commitment to the organisation from the inmates, whereas, to take another 'total institution' (defined by Goffman[21] as "a place of residence and work where a large number of like-situated individuals, cut off from the wider society for an appreciable period of time, together lead an enclosed, formally adminstered round of life") in a monastery, one would. Problems may be expected in cases where there is not exact correspondence between the types of authority system found in an organisation and the degree of commitment it requires from its members, e.g. a monk may deeply resent being locked in his cell and such a measure would be expected to affect his degree of commitment.

As with Weber's typology, one is again describing ideal types and, as Etzioni points out, most organisations are complex mixtures of all of them. Senior managers in many firms, for instance, are frequently highly committed to

organisational goals and their involvement would seem to be far nearer to moral than calculative. Similarly, the trusted prisoner does not require to be kept behind bars in order to remain within the institution.

Although no evidence can be found to support the writer's view, it is his opinion that there is an increasing reluctance on the part of managers to admit to a high degree of commitment to their organisations. Whether this is a result of greater mobility, the publication of books like William Whyte's 'Organisation Man'[22] or increasing professionalisation which gives the manager or specialist a reference group he can identify with outside the organisation, it is difficult to say. Nevertheless, one can discern in such developments as job enrichment schemes, more participative management, and organisational development programmes, attempts by organisations to obtain more involvement from their members. In Etzioni's terms, they are attempting to establish moral rather than coercive compliance. Paradoxically, when they attempt to introduce similar organisational measures, many family firms (which already have moral commitment from their members - particularly among the older employees) may find this commitment will be reduced as more formal organisational structures and procedures are developed. Miller and Rice[23] suggest that technically qualified outsiders in family businesses have an unconscious urge to be treated as minor and underprivileged members of the family and the last thing they really want is for the family members to abdicate. Such individuals may not want more responsibility, therefore, and are likely to resent the introduction of such things as organisation charts and job descriptions. They are likely to be particularly aggrieved at any measures having the effect of reducing their degree of interaction with family members. When family businesses are undergoing change, therefore, this should be taken into account,

for this high degree of commitment might be most valuable to the firm. Strategies which can be used to retain this loyalty will be discussed in Chapter XI.

The process of leadership and the qualities of leaders have also attracted considerable interest as fields of study. Early writings on leadership tended to concentrate on the personality characteristics (i.e. intelligence, persistence, integrity, etc.) of leaders, but research by social psychologists[24] has shown this approach to be largely inconclusive. It has more recently become to be realised that leadership is situational as well as personal and that different types of relationship between the leader and his followers are appropriate to different kinds of group in different kinds of circumstance faced with different kinds of task. The number of variables involved, in fact, is immense and no study of leadership can hope to encompass them all.

Research studies in this field, however, (notably those of Bales,[25] and Hodgson, Levinson and Zaleznik[26]) have drawn attention to the existence within groups of two types of leader, the task-oriented (or instrumental) and the socio-emotional (or affective). The former derives his satisfaction directly from the task of the group, whereas the socio-emotional leader gets his from his success as the promoter of solidarity and provider of opportunities for release of tensions. The writer had noted previously in his action research work the special position of family members in the firm concerned and has described how members of the management team claimed and appeared to derive a considerable satisfaction from their interaction with the owners.[27] In that study a major grievance after a re-organisation was the reduction in the amount of contact junior production managers had with the family members. This had been anticipated by the research team, but the intensity

of the sense of loss experienced by these men had not. More generally, in the family firms visited it was noted that family members were frequently perceived as representing the firm in a way which no manager (often regarded as a 'superior employee') would ever be likely to achieve. In many cases, family members were seen as 'heirs-apparent' to directors and, as such, they were not competing for middle management posts with other young men in the firm. One might tentatively suggest, therefore, that because of their ascribed status family members (regardless of their formal role or authority in the business) might be particularly well placed to meet employees' needs for socio-emotional leadership. Such a role might prove to be particularly valuable as an integrative device during periods of rapid change.

Lawrence and Lorsch have distinguished between the leadership required by a relatively simple organisation dealing with a homogeneous and stable environment with that required by an organisation coping with heterogeneous and dynamic environments.(28) They suggest that in the former case the stereotype leader - 'the great man' - still has a place, but in the latter what is required is not a leader (though there is a place for an 'integrator') but a number of less prominent people skilled in dealing with the unpredictable (e.g. the scientific and marketing sectors of the environment). Such a finding has obvious implications for a business enterprise built up by one man or any family business in an industry undergoing rapid social, economic and technological change.

THE INFLUENCES OF TECHNOLOGY AND SIZE

A major study of a hundred firms in South East Essex was carried out in the 1950's by Miss Joan Woodward.(29) This research, which involved a study of the management and supervisory structures of firms employing different production technologies, demonstrated that they were organised in widely different ways.

Moreover, there was no immediately obvious explanation of the differences, since they appeared not to be a function of the size of firm or type of industry. Furthermore, there did not seem to be any observable relationship between the organisation structure adopted and business success. Further analysis, however, led to the discovery that:

> "firms with similar production systems appeared to have similar organisational structures" (30)

Miss Woodward identified ten systems of production ranging from, at one end of the scale, the manufacture of technically unsophisticated units to customers' specific orders to, at the other end of the scale, continuous flow production. She discovered that as the production system moved away from the simple unit production type towards the continuous flow system, the number of levels in the management hierarchy for a given size of firm increased, as did the ratio of managers and supervisory staff to total personnel, and the ratio of direct to indirect labour. Similarly, the span of control of the chief executive increased as one moved along the technological scale. However, the span of control of the first line supervisor reached its peak in the middle of the range (i.e. among firms engaged in mass production technology). It was also found that organisation structures were more flexible at both ends of the scale, where duties and responsibilities were less precisely defined than they were in mass production firms. Again, written as opposed to verbal communication reached a maximum in the middle of the range. Finally, Joan Woodward reported that functional specialisation was carried further in both large batch and mass production systems than in either simple unit production or continuous flow process systems.

The most significant finding of this research was that the most successful firms commercially were those which, in terms of organisation structure,

conformed most closely to the median for their production group, while firms of below-average success diverged widely from the median. In other words, adherance by firms to the norm of organisation structure for their particular production system appeared to be the intervening variable between technology and commercial performance. Of particular importance to the business enterprise undergoing change was the finding that changes in technology, which involve a firm moving from one type of production system to another, will call for related changes in its organisation structure.

Although the findings must be treated with caution because they are based on studies utilising social anthropological material describing organisations in mainly non-industrial societies, Udy has also produced evidence to show a link between organisation and technology. He reports:

> "Given a systematisation of the possible range of variation of technological processes, it was found that certain aspects of authority, division of labour, solidarity, proprietorship, and recruitment structure could be predicted as to general trend from technology alone" (31)

(A study illustrating the effects of technology on work group behaviour has been carried out by Sayles.[32] This researcher identified four types of group behaviour - apathetic, erratic, strategic and conservative - and showed how each predominated in certain work situations.)

This work would lead one to hypothesise that a more satisfactory fit might be expected between family control and small batch technology than any of the other technology types described by Miss Woodward. Mass production, for example, would call for more managers (and thus a sharing of control) and process production would probably require large amounts of capital expenditure unlikely to be available

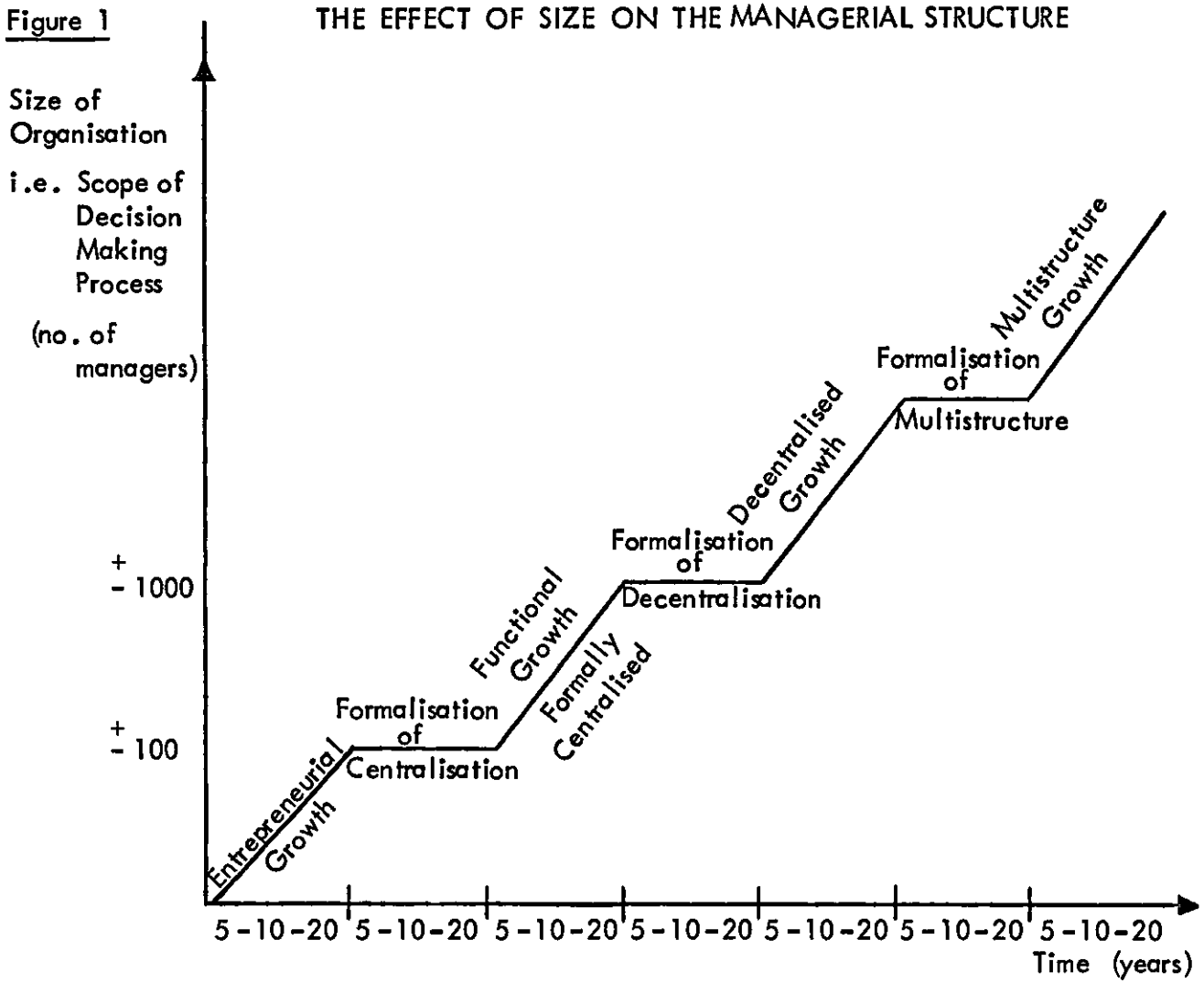
from within the resources of a family.

More recently, Hickson et al[33] have suggested that while technology influences total organisation structures in small firms, its effects are much less in large organisations where its influence is limited to those levels which are closely involved with the production process. Weinshall[34] has also suggested that organisations need to adopt different structures at successive stages of their development. This writer portrays organisation growth not as a continual process but as a series of steps as shown in Figure 1. Thus a new firm would be expected to follow a period of rapid entrepreneurial growth during which time it would have an entrepreneurial structure (where the chief executive has dealings with all managers in the enterprise) with a period of consolidation and stability as it changed its organisation to a functional structure (where the task of the organisation is broken down into functions with managers responsible to the chief executive for these). When the functional structure begins to operate efficiently, further growth takes place and the decision-making process eventually becomes such that the organisation needs to become decentralised and so on. Weinshall maintains that not only are such changes in organisation structure inevitable but that:

> "these structural transformations could generally be achieved only by means of an exchange of the chief executive and a good many of the managers whose leadership characteristics (which are part of their personality traits) do not enable them to adhere to the requirements of the new required managerial structure" (35)

Some evidence[36] has been found to support Weinshall's view, but more is required before this thesis - with its profound implications for the family business - can be generally accepted.

Figure 1 THE EFFECT OF SIZE ON THE MANAGERIAL STRUCTURE



Source: 'Application of Two Conceptual Schemes of Organisational Behaviour in Case Study and General Organisational Research' (Theodore D. Weinshall) Ashridge Management College Papers in Management Studies, 1971.

The evidence available, therefore, would suggest that changes in both size and technology are likely to influence the organisation structure of a firm - and the viability of family ownership and control. Before one can predict accurately the structural alterations that will be required to accommodate such changes, however, far more research will be required into the influence of these factors.

THE INFLUENCES OF THE ENVIRONMENT

Another major British study carried out in the late 1950's, was that of Burns and Stalker.[37] This research examined the relationship between management organisation and the external environment (particularly scientific developments and market changes) in order to assess its effect on a firm's economic performance. The sample of twenty companies was composed of firms in the electronic industry facing a change in the market situation from government contracts to commercial competition.

The researchers identified two types of management systems operating in the firms they studied. They stressed that no one firm consistently and exclusively used either, but there did appear to be a clear distinction between those mainly making use of one and those mainly using the other. One management system they called mechanistic, the other, organic. The mechanistic system was charactersied by specialised tasks, precise job descriptions and definition of status, mainly vertical communication, hierarchic control, strong emphasis on loyalty to the firm, and a tendency to be 'inward looking'. The organic system, on the other hand, was charactertised by loosely defined jobs, interlocking tasks, as much horizontal as vertical communication (consisting largely of consultation and advice rather than orders and instructions), authority based on expertise and a tendency to be 'outward looking'. They suggest that the two systems occupy opposite ends of a continuum.

The findings of their researches showed that when commercial success demanded ability to grow, responsiveness to changing market conditions and a capacity for technological innovation, the more effective organisations were organic rather than mechanistic, despite the fact that uncertainties with regard to role and status gave rise to some anxiety among the management teams of organic firms. (A similar relationship between lack of clear definition of role and status and mental strain has been established by Kahn et al.)[38] Thus Burns and Stalker suggest that in stable, routine situations, mechanistic systems with organisation charts and so on are appropriate and can be combined with efficiency and relatively high morale. On the other hand, in conditions of rapid environmental change, relationships required to carry out the task of the organisation cannot be charted as they are subject to continual alteration.

As these findings seemed to have considerable significance for firms in a traditional industry undergoing change, the polarisation into mechanistic and organic systems was adopted by Philip Sadler and the present writer as an initial frame of reference for their studies in the printing industry.[39] It was found, however, that difficulties were encountered when it was attempted to position small and medium sized firms along this continuum and this led to a modification of the concept underlying Burns and Stalker's approach. It appeared to us that the mechanistic-organic dichotomy reflected differences in firms in at least three dimensions, each of which could vary independently of the others, viz:

(a) the extent to which the activities of members of the management system are on the one hand prescribed by superiors or by procedural rules, or on the other hand are left mainly to the discretion of the individual (control);

(b) the extent to which the activities of members of the management system are on the one hand closely co-ordinated in relation to the overall objectives of the enterprise, or on the other hand are pursued with relatively little concern for the overall task (integration);

(c) the extent to which the activities of the management system are on the one hand concerned with regulation of the internal affairs of the organisation, or on the other hand with the regulation of the organisation's relationships with the environment (boundary regulation).

When organisations were classified on each of these three dimensions, this appeared to be more realistic and meaningful than the previous attempt to characterise them in terms of a simple dimension. This led to the development of an organisational model based on two axes, control and integration.

The first two factors - the nature of the control system and the degree of integration achieved - seemed to be concerned with the way in which people's activities and relationships were regulated. The control factor was concerned with the methods employed by organisations to ensure that tasks were performed in an acceptable manner, while the integration factor was to do with the way relationships between tasks and the people engaged in them were regulated by the system of organisation.

It was believed that most organisations would require a high degree of integration, but that the requirement for control might be expected to vary considerably from one enterprise to another. The type of system to which we gave the name 'ideal bureaucracy' for example, would seem to be appropriate when the task of the concern could be reduced to routine operations involving long runs and

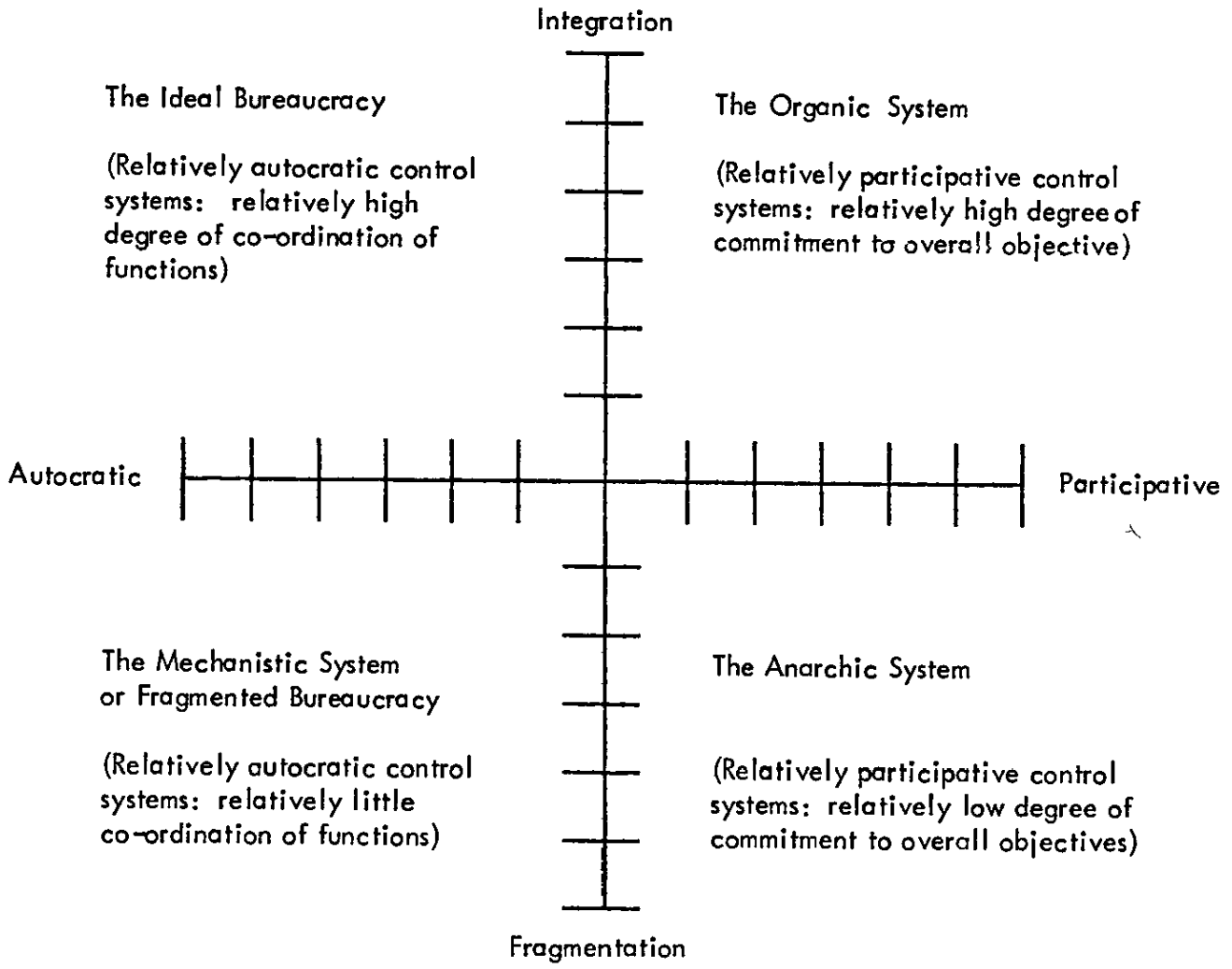
a relatively stable production system. In such a system, both control and integration are relatively well developed whereas, in the mechanistic system, control is at a high level but integration is not. Difficulties may be experienced, however, in achieving high levels of control and integration simultaneously with the implication that ideal bureaucracies run the risk of degenerating into mechanistic systems or fragmented bureaucracies. Work which is more creative or artistic in nature and hence less capable of being routinised, or which is subject to uncertainties arising from rapid change, calls for an organisation structure approximating more closely to the organic model, in which there is considerable emphasis on integration but systems of control are not highly developed. Such systems, however, run the risk of degenerating into anarchic ones in which there is neither control nor integration of activities.

Between these two extremes and particularly where the primary task of the organisation is complex and involves sub-tasks with conflicting structural requirements, the form of organisation adopted has to maintain a balance between the requirement to maintain managerial control on the one hand and the need to facilitate the exercise of judgement, creativity and inventiveness on the other.

The third factor to which we paid special attention - boundary regulation - was concerned with the structural arrangements organisations employed for their environmental relationships. (Clearly, this approach owes much to the Tavistock open system theory.) In particular, we were interested in such transactions as those with customers, suppliers, trade unions, and to see how those involved had their roles integrated into the organisation.

Figure 2

CONTROL AND INTEGRATION IN ORGANISATIONS



Source: 'Organisational Development: case studies in the printing industry' (Philip Sadler & Bernard Barry) Longmans, 1970.

Because it was not expected that family firms in the size range to be studied would be likely to have anything but rudimentary management systems and, in any event, the size of the sample would not permit a statistical approach, indices to measure these factors have not been developed for this study. The model has been briefly described, however, because it does represent the conceptual set of the writer when approaching the firms concerned. (The model - which is more fully described in the book 'Organisational Development'[40] - is currently (1972) being tested by an Ashridge team with data collected from fifty companies.) It was expected that the family business might differ from the public company in several respects with regard to the factors described. For example, in the control area a more authoritarian, paternalistic management system was anticipated together with a general reluctance to share authority with 'outsiders'. Loyalty to the family, on the other hand, was thought to be potentially a most useful mechanism for integration. In the regulation of boundary activities, it was believed that family members might play a special role in representing the company to customers or at meetings of employers.

In this chapter an attempt has been made to illustrate something of the diversity to be found in the field of organisational theory. Most of this theory, however, is 'theory of bureaucracy' rather than 'organisation theory' as such. As was shown in Chapter I, the family firm differs from the more formal business enterprise in several ways. In particular, it was expected that family firms would differ from more formal business organisations in the following respects.

1. They would tend to have a greater sense of tradition as it would be expected that a relatively high proportion of employees at all levels would be following a family tradition in joining the firm. This sense of tradition would tend to

be reinforced by the continuity of history provided by family management, the growth of legends regarding past achievements and so on.

2. Recruitment to senior management posts (in particular, that of the chief executive) would be largely determined by kinship considerations. If sufficient family members were not available to fill such posts, acceptability on social grounds (i.e. not just class, but ability to fit in in other ways) of candidates to members of the family running the business would be considered important.

3. Because of the limited opportunities offered for promotion, such organisations would be unlikely to attract (apart from family members) ambitious people or those holding advanced professional or academic qualifications. If they were successful in attracting such personnel, they would most likely fail to absorb them.

4. The three factors described above would tend to result in the management team sharing common values. Such a group might be expected to be 'inward looking', to defend traditional methods of production and be doubtful of the value or relevance to them of expertise in such areas as marketing, corporate planning, or industrial relations. They would tend to be suspicious of the value of consultants and would prefer not to allow 'outsiders' into the business.

5. Unlike more formal concerns, authority and status would tend to come from membership of 'the family' rather than holding a post in the organisation. In many cases, formal organisation charts showing the lines of responsibility would not be available and, even where they were, traditional authority would tend to take precedence over rational-legal.

6. Integration of the various activities carried out by the organisation would be achieved by people identifying themselves with 'the family', i.e. the business would be regarded as an 'enlarged family'.

7. Social considerations might be expected to be regarded as important, if not more important, than economic considerations. Thus a family business might accept orders with little or no profit margin because of a family connection with the customer, or because of the high social standing of the client. Similarly, employees would tend to be treated generously, e.g. they may be retained by the family long after they would have retired from more formal businesses.

8. The family firm would be expected to have particularly close links with the community because of the involvement of family members in local affairs, e.g. as councillors, magistrates, school governors, etc. This spreading of the social system outside the boundaries of the firm may be useful in providing orders for the firm, but is equally likely to involve the firm in carrying out unprofitable or unsuitable work for local customers because of a sense of obligation on the part of the owners.

9. Mergers and acquisitions would tend to be regarded with suspicion because of their threat to family control When they were being considered, much would depend upon the acceptability to the family of the chief executive of the unit to be acquired or to be merged with.

10. It would be expected that feelings of tension experienced as conflict between family members would tend to be denied or, at least, not confronted constructively. Resolution of conflict would tend to take the form of appealing to disputants to reconcile their differences for the good of the

firm, to maintain the happy family atmosphere, etc. Because of the emotional intensity of their relationships, however, when conflict between family members did become overt and was not resolved, it would tend to be more acute than that normally found in business concerns.

In short, it was expected that in many aspects of their functioning as organisations, rationality (in the Weberian sense) would be absent. As they do differ in so many ways from other organisations, the relevance of much of 'organisation theory' to the family firm must be doubted. It is hoped that this chapter will have proved useful, however, in drawing attention to the special nature of the family business as well as illustrating some of the concepts used by the writer during the course of his research programme.

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PART 2

THE RESEARCH DESIGN

CHAPTER V

METHODS USED AND RATIONALE

BACKGROUND

The writer first became interested in family firms as social institutions in 1965 when he began working with Philip Sadler on an action research project in the printing industry. Action research, or the sociotherapeutic approach as it is sometimes called, involves the social scientist in joining with decision-makers in analysing and attempting to solve human problems in the work situation. In the United Kingdom this approach has been developed mainly by the Tavistock Institute of Human Relations.[1] The project involved Sadler and the writer in working for a period of three years in continuous close association with the senior management of a family firm in coping with problems of organisation associated with growth and change. During the course of this work the research team began to understand how family pressures, traditions and loyalties could influence decisions in a business context to a much greater degree than they ever considered possible, and thus developed a more general interest in the family firm. The results of this project, which was supported by a grant from the Social Science Research Council, have been reported in the book 'Organisational Development'[2] and elsewhere.[3]

It was believed that this action research work was both valuable and productive. The management of the company concerned had agreed that decisions on matters of major policy would only be taken after consultation with the research team and full consideration of its recommendations. It did this and, as a result,

the writer felt that his professional skills had been developed by this opportunity to become involved in the conduct of the affairs of a business enterprise in which he was given access to materials and confidences not normally made available to the research worker from outside the firm. In an intensive study of this kind, however, it was not possible to establish any form of control over the many variables involved and, in consequence, the interpretation of the events which occurred was inevitably 'clinical' in nature. As Cherns has pointed out:

> "The further we proceed down the list from basic pure research to action research, the more is utilisation likely, but the less generality is possessed by the results" (4)

An opportunity was therefore sought to subject to rather more intensive study some of the relationships between variables suggested during the action research project.

METHODOLOGY ADOPTED

The variety of methodological approaches adopted to the study of organisations has been described by Cooper, Leavitt and Shelly.[5] These writers explain that research in the organisational field ranges from carefully controlled laboratory experiments to broad conceptual schemes; from intensive case studies of a single organisation to computer simulations and formal mathematical models. In this particular case, it was believed that the delicate nature of many of the factors concerning the functioning of family firms was such that information regarding them could only be obtained by skilful interviewing. It was therefore decided to carry out a series of comparative studies of family firms. The justification for this type of comparative - intensive approach has been well expressed by Mouzelis who writes:

> "It has become a commonplace to speak of the case-study-survey dilemma in organisational literature: on the one hand the one-case study is alleged to give many insights and fruitful hypotheses about the functioning of a particular organisation but to provide no possibility of testing such hypotheses. On the other hand, by a survey study of many organisations, there is the possibility for generalised and methodologically more valid findings - but of a superficial or trivial character. This superficiality is due to the fact that by the survey of numerous organisations one tries to relate in a highly abstract manner a few organisational variables without taking seriously into consideration the larger environment within which such variables are embedded .... But comparative study does not automatically mean survey study .... By strategically choosing a few cases (say two to five), it is possible to combine intensity of study with comparative variations of significant variables .... By the intensive study of one or two cases and by appropriately choosing a few others for a less intensive treatment, one may avoid the disadvantages of both the survey and the one-case study" (6)

When discussing the nature of small firms, the Report of the Bolton Committee notes:

> "Their diversity is even more striking than their number. A proper understanding of the whole small firm sector therefore requires study of many industries" (7)

It was not possible for obvious reasons to study many industries in any depth and it was believed that differences in historical backgrounds, technologies and markets, would tend to make any generalisations about family firms drawn from two or three industries unprofitable. It was therefore decided to restrict all the studies to one industry, although clearly there will be a need for this work to be replicated in other contexts before any results can be seen as generally applicable. It was hoped to carry out the work in the printing industry because it contained many family firms and the investigator was familiar with at least some of the problems it was facing.

The opportunity to carry out these studies became available in 1968 when a research team (of which the writer was a member) from the Ashridge Management Research Unit was awarded a further grant by the Social Science Research Council

to carry out an extensive study of managerial style and organisation structure in relation to achievement in the smaller enterprise. This investigation (the results of which it is intended will be published in 1972) involved a series of fifty linked case studies drawn from the printing and building industries.

FIRMS STUDIED

In order to obtain research facilities for the major project, the investigator wrote to the chief executives of thirty-two printing companies located throughout the United Kingdom giving them brief details of the proposed study and asking for an opportunity to discuss it with them. (A copy of the letter is shown at Appendix A.) Twenty-seven managing directors agreed to meet the writer to talk about the research programme and eventually twenty-five of these agreed to take part.

At this initial meeting with the managing directors, brief details were obtained on the following:

(a) the history of the firm and, where relevant, the pattern of shareholding;

(b) the organisation structure;

(c) the total number of employees;

(d) the technology employed and the type of work undertaken;

(e) the market or markets in which the firm carried out its activities;

(f) the turnover.

From the sample of 25 firms who had agreed to participate, the writer selected five family businesses of varying ages for the purposes of this study. In order to examine a stage of organisation prior to the family company, an entrepreneurial firm (similar in type to the early stages of the five firms selected) was also included for comparative purposes. In addition, some interviews were held with senior managers in a firm which had been a

public company for twenty years after being in the hands of one family for over two centuries. In this case the family no longer held control (and thus the firm was outside the scope of this thesis) and full details of it will not be presented. However, as 'family members' were still employed in it, and as it shed some interesting light on the problems faced by firms (and family members) at the post-family-firm stage, some details of these interviews will be presented in Chapter IX'.

RESEARCH PROCEDURE

Approximately three weeks before the field work was due to take place, a draft memorandum (shown at Appendix B) was sent to the chief executive of the firm concerned with a request that this should be distributed under his signature to all members of staff in order to explain the presence of the researcher and in the hope of obviating any likelihood of misunderstanding.

The studies in each firm varied in length from one to two weeks. They involved interviews with all available members of the managerial, professional, supervisory and senior administrative staff - thus people in roles such as order clerks, estimators and salesmen were included, although they were frequently not regarded as part of the management team in the firms concerned. Each interview began by attempting to establish a frank working relationship. The objectives of the study, its financial backing and the relationship between the researcher and the firm were explained and it was stressed that participation by the individual was entirely voluntary and that all interviews would be treated with the strictest confidentiality. It was also pointed out that a report on the findings would be given to all who participated. (Only one person in the sample declined to be interviewed.)

The researcher also spent some hours in the factory talking to production managers about current orders and observing the production process. If an opportunity presented itself during his period with the company, he also attended (as an observer) any management meetings that were held.

RESEARCH INSTRUMENTS

The questionnaire used for the interviews (shown at Appendix C) was an extended version of the schedule developed during the action research study. Its design was partly based on the work of other researchers in the organisational field; notably Scott[8] and Weinshall.[9] It can be seen to be divided into five parts and was designed to gather data on the following.

(a) Demographic details of respondents

These include: sex, age, type of secondary education, terminal age of full-time education, academic or professional qualifications, whether entry into the industry was through craft apprenticeship, formal management training experience and, where relevant, type and length of course attended, length of service in the industry and with present company, family connections with the industry.

(b) Perceptions of the organisation structure

Each respondent was shown a blank organisation chart based on that used by Scott and asked first to enter his own name in a box in the centre of the chart and then to enter above, below, and on either side, the names of other managers and supervisors who met the following descriptions:

(i) your immediate supervisor, the person who controls your work and to whom you report direct;

(ii) the person your immediate supervisor reports to;

(iii) any people whose work you supervise and who report direct to you;

(iv) any people who also report directly to ..... (name given in answer to (i)).

The data thus obtained were then analysed in order to compare the managers' perceptions of the organisation with the organisation as prescribed by top management, to test how far the view held by top management of the organisation was the same as that of individual members of it.

In this analysis where the perception of a particular organisational relationship on the part of a manager or supervisor differed from the view of that relationship which was held by top management, this was counted as a 'misperception'. These were of two kinds. First, when a manager or supervisor named the wrong person as his superior or subordinate, or as a member of his work group. Secondly, when he omitted to mention one of his subordinates or one of the members of his work group. In the latter case it was, of course, possible that a lapse of memory rather than a true misperception was involved. People, however, were given considerable time to consider the question and were prompted to take account of all possibilities carefully. It was considered, therefore, that in the majority of cases omissions reflected true misconceptions of the organisation rather than simple

failure to recall it at the time of interview. It should be stressed that respondents were not asked to describe the organisation as a whole, but only that segment of it in which they worked. This can be termed the 'formal role set'.

(c) Communications network

Respondents were asked to give the names of colleagues with whom they had regular (defined as two or three times a week) communication contact in the course of their work. The data thus obtained were analysed to ascertain the nature and direction of communication in the organisation as perceived by its members.

It was appreciated that some caution would have to be exercised when interpreting the results of this analysis in view of the findings of Burns.[10] In his study of seventy-six managers, he found that their estimates of how they spend their time were inaccurate when compared with the records of how they actually did spend their time. He noted, for example, that there was a widespread tendency to overestimate attention paid to production and to underestimate time spent on personnel matters. The managers' estimates, he suggests, really reflected the importance they thought was attached to the various management functions by the management group. It is possible, therefore, that the nomination of others as regular communication contacts by respondents in this study was influenced by status factors and the ethos of the firm concerned and may not accurately reflect the reality of the situation. Nevertheless, it was believed that this situation was sufficiently removed from that described by Burns to justify using this method and as a more sophisticated

technique could not be employed, it was considered that the view of the communications network by respondents would provide useful data for comparative purposes.

(d) Attitudinal data

Respondents were presented with a number of forced choice attitude questions in order to provide data for an approximate assessment of the general level of morale in the 'management team' and to complement the previously collected data concerning the perception of the organisation structure and the nature of the communications network. The forced choice questions were also used as diagnostic probes, i.e. those interviewed were asked to explain why they had chosen the particular response they did.

In this section was also included an open-ended question to determine whether or not the respondents considered that the family control of the firm which employed them affected the way in which it operated.

(e) Non-directed session

The interview ended with an unstructured session, the purpose of which was to identify any problem areas or sources of tension which had not been discussed previously.

A further questionnaire (shown at Appendix D) was sent by post to the companies concerned at the end of the period of field work. This sought information for a period of five years on such factors as:

(i) capital employed;

(ii) pre-tax, pre-interest profit (i.e. operating profit);

(iii) gross turnover;

(iv) expenditure on new plant;

(v) number of employees

This information was sought in order to attempt to relate measures of organisational behaviour to measures of financial effectiveness.

FEEDBACK OF RESULTS

The investigator prepared brief reports on each study and a copy of the appropriate report was sent to every respondent who took part. (A copy of one of these reports is shown at Appendix E.)

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PART 3

THE INDUSTRY CONCERNED

CHAPTER VI

THE BRITISH PRINTING INDUSTRY

INTRODUCTION

This chapter is intended to give the reader a general picture of the present structure of the British printing industry and an understanding of some of the factors which have affected its development. It concludes by making some attempts to forecast the ways in which the industry will evolve in the future.

As will be seen, the boundaries of 'the printing industry' are by no means easy to define and the task of describing a heterogeneous field with a history stretching back centuries in a precise and reasonably brief form is no easy task. The interested reader who would like to obtain further information should read 'A History of Printing in Britain' by Colin Clair;[1] 'Economic Study of the Printing Industry' by Ronald Brech;[2] 'Industrial Relations in the British Printing Industry' by John Child;[3] and 'The Structure of the Printing Industry' by Allan Delafons,[4] all of which were found by the present writer to be most valuable.

HISTORY

The origins of printing are obscure. Larken[5] reports that block printing was carried out in China in the ninth century and was probably known before that. The same writer also informs us that metal type was used for printing in the Far East in the thirteenth century, but its use was not continued: "because it was not wholly suited to the ideographic characters of the language and the requirements of the calligraphers". Perhaps the most important event in the history of printing took place c.1451 with the introduction of separate type characters in metal.

Interestingly, it was this invention of movable type - attributed to Johannes Gutenberg - which facilitated the printing of books which has been cited by some historians[6] as the major event marking the beginning of the Renaissance. Whether this was the case or otherwise, it was most certainly true that printing helped to diffuse the movement and that nations in the van of the Renaissance - Italy, Germany, France and the Netherlands - all had printing presses before Britain.

The first printing press in England was set up by William Caxton at Westminster in 1476.[7] Caxton was an Englishman, in his fifties, who had been a wool merchant at Bruges. The evidence available suggests that he learnt the art of printing in Cologne. Caxton's work was almost entirely with books which he not only printed but first translated into English and later sold. This translation into the vernacular was unusual because most books printed in the fifty years following the invention of the press were in Latin, although a few popular works had been produced in German, Italian and French. Britain appears to be the only European country, however, which had its first book printed in the vernacular. Possibly this reflects Caxton's experience as a merchant, for books printed in English would be unlikely to be subject to competition from the Continent. Nevertheless, the skills of literacy were still relatively scarce as can be judged by the fact that even by 1500 there were still only three master printers working in England.[8] Other printing houses had been set up during this century at Oxford and St. Albans, but both had been short-lived.

Delafons[9] and other writers are somewhat critical of Caxton's work as a printer. They point out that the type of design and line justification on his early publications leave much to be desired. It should be remembered, however, that it was at that time that the struggle between Norman French and English for dominance was taking place and, as Clair[10] notes, Caxton's importance is due not so much for

introducing the printing press into England (which would have occurred two years later anyway) but for choosing good literature for translation and thus helping to standardise the English language.

As printing had been established for some years on the Continent before it came to Britain, it was not surprising that many of the early English printers should employ alien craftsmen. Some hostility towards the latter developed during the early years of the sixteenth century and, in 1534, an Act for Prynters and Bynders of Books was passed restricting the entry of these foreign workmen into the country. The same Act placed severe restrictions on the buying and selling of books printed on the Continent. Child[11] comments that it is difficult to decide whether it was the intention of the Government to protect the 'infant industry' or to restrict the growth of seditious literature.

An important stage in the development of printing took place some seventeen years later when the Stationers' Company, originally a mediaeval guild, was granted its royal charter in 1551. The Company had a dual role. It acted as an agent for the State in controlling the registration of printing presses and publications, and in the detection and destruction of illegal presses. It also settled disputes between members, regulated apprenticeships and, to some extent, fixed terms of employment for journeymen. Despite this control, in 1582 Christopher Barker in his 'Note on the State of the Company of Printers' complained that there were twenty-two printing houses in London whereas he believed eight or ten would suffice. Four years later (1586) the Star Chamber issued a decree forbidding the opening of new presses until the "excessive number was abated".[12] As a result of petitions from journeymen the following year (1587) the Stationers' Company issued regulations - "Certen Orders Concerning Printing". These set limits to the number of impressions to be taken from

each forme of type; restricted the number of apprentices; prohibited the latter from either setting type for printing when journeymen were available and affirmed the rights of the Company to settle disputes between employers and journeymen. As Delafons points out:

> "They also threatened to abolish these orders if the workmen for whose benefit they were promulgated started any: 'News Sute Peticon or Complaint' against their employers" (13)

Although there were periods of laxity in enforcing the Star Chamber Decree, even by 1660 there were still only about sixty printers, many of whom probably had only one press. The Licensing Act of 1662 again restricted the number of master printers to twenty and limited the location of printshops to London. This Act was allowed to lapse in 1695 and the movement of master printers and journeymen to the provinces began. By 1725, there were printshops in practically every town of any size, although the fact that most of the population was illerate and relatively poor, meant that they were small units and unlikely to experience rapid growth. The output of these small provincial printing houses consisted mainly of pamphlets, periodicals and later newspapers. As the industry developed, so the roles of publisher and printer became more specialised and, by the beginning of the eighteenth century, had become separated.

An early attempt to develop the technology of composition was the invention of the 'logotype' by Henry Johnson, a London compositor, towards the end of the eighteenth century. The 'logotype' was a slug of metal containing commonly occurring words. John Walter, a businessman, saw the commercial possibilities of this invention and purchased it from him. Walter opened his 'Logographic Press' in Blackfriars in 1784 and, in order to advertise this venture, he started a newspaper. This paper, called 'The Daily Universal Register', first appeared on 1st January 1785

and, three years later, its name was changed to 'The Times'. This invention of the 'logotype' was not successful, both for technical reasons and because the compositors concerned insisted on being paid by the amount of type set and not by the time spent in carrying out the typesetting, thus removing its potential economic advantage.

It will be recalled that this was a period when the population of England greatly expanded. This population explosion had been accompanied by a great increase in education and these factors led to ever-increasing demands for printed matter. As Clair reports:

> "It was the newspaper offices, and 'the Times' in particular, which initiated mechanisation in the printing trade through their need for ever-increasing operational speeds to satisfy a steadily growing demand for newspapers, which had, of necessity, to be produced during the early morning hours" (14)

This demand stimulated the mechanisation of the actual printing process which first took place in the first half of the nineteenth century with the introduction of steam-operated presses. Other developments quickly followed. Cylinders were substituted for the flat weight of the platens and later cylinder presses capable of printing on both sides of a sheet of paper in one operation were introduced. Rotary presses, capable of printing on both sides of a continuous roll of paper, were first issued in 1865.

A printing firm known to the writer was very much involved in these early technological developments. Their founder installed the first steam driven press ever to be used for the printing of books on a commercial scale, in 1823. His workpeople had feared that the 'new monster' would "consume their daily bread at such a rate that the supply would soon be exhausted", but the owner managed to persuade them of its value. Bendix has written:

> "For members of a ruling aristocracy industrialisation constitutes a threat to their political dominance as well as to their way of life" (15)

and it is interesting to note that the neighbour of this printer, the Duke of Northumberland, took an action against him contending that the steam engine disturbed his comfort! The Duke claimed "the noise was terrible, the vibration made plaster fall from the ceiling, his entire premises were covered in soot and smuts". The Duke lost the action and eventually paid the printer "a very considerable sum of money to remove his steam engine elsewhere".(16)

The rewards obtained by some of these early inventors, and their successors, must have been considerable. One report, for example, states that:

> "John Walter III's income in 1865 was probably in excess of £50,000, the greater part of which came not from 'The Times' newspaper, of which he owned only an eighth share, but 'The Times' printing-works of which he was sole proprietor" (17)

As will be seen in the discussion on the contemporary state of the industry a century later the profit situation for most printers was to be of a very different nature.

The increase in printing machine sizes and speeds led to developments taking place at the composing stage. Steam presses, for example, allowed printing to take place on large paper sizes so it became necessary to prepare type for a number of pages together. Sixteen, thirty-two and later sixty-four pages were composed and printed in a single operation. In order to speed up composing, keyboard operated composing machines were first used in New York in 1866 and were introduced into 'The Times' in 1879. The type set by these machines was not justified - that is to say it did not have two even margins as one is used to seeing in printed matter today. Automatic justification of lines took place with the development of the 'Linotype' by Ottmar Mergenthaler in 1886 and the work of Tolbert Lanston with the 'Monotype' in 1897. The main differences between the two is that the latter casts letters individually, whilst the former casts a full line of type matter in one piece.

The final major event in the history of printing to be described is the development of the lithographic process. This was discovered accidentally by Alois Senefelder in 1800 and, at first, was a method of printing from the surface of a specially prepared slab of limestone. This process was rapidly developed during the nineteenth century and was greatly facilitated by the invention of photography in 1840. Later work has seen the introduction of aluminium and zinc plates in the place of the limestone which, in turn, led to the development of rotary presses.

Clearly, such a brief description of an industry can only describe the major events which have taken place. Other technological developments, such as automatically fed presses or two or three colours being printed simultaneously, have not been described for these are seen by the writer more in the nature of improvements than as radical changes or technological breakthroughs. Later technological developments - such as photographic composing - will be described below, but it is hoped that the above will give the reader the general pattern of events leading up to the present.

TECHNOLOGY[18]

The three main processes used in the printing industry are letterpress, lithographic, (or litho as it is commonly called) and photogravure. (Other processes such as flexographic, silk screen and electrostatic printing will not be described because they are comparatively rare and are not to be found in any of the firms involved in this study.) Whichever process is used, the reproduction of material involves three basic stages:

(a) the preparation of the material to be printed;

(b) the actual printing; and

(c) finishing operations such as folding, stitching and binding.

The following briefly describes each process and includes a description of the work involved in the first two stages. Finishing operations are common to all processes and will be discussed separately.

1. Letterpress

Letterpress is the oldest form of printing and this process accounts for about half the printing carried out in Britain today. Basically, it involves the transfer of ink from the type directly on to the paper by means of impression. The first stage - the actual setting of the type - is carried out by compositors. As has been described, this was originally done by hand but is now generally carried out by 'Monotype' or 'Linotype' machines, although some hand composing still takes place. Any illustrations to be printed are prepared on blocks by photo-engraving methods - normally by a specialist sub-contractor. When the type has been prepared it is placed, together with the blocks for illustrations, in a special tray called a 'galley'. The galley is taken to the machine rooms where the actual printing takes place. The most common machine used for this purpose is the flatbed cylinder. On this, the type rests on a flat iron bed plate which has a reciprocating motion. On one movement the plate presses first under the inking rollers and then under the impression cylinder where the paper is printed upon. It then travels back again on the reciprocating movement with the impression cylinder clearing the type. Another machine increasingly coming into use is the rotary letterpress. This requires an intermediate stage between composing and printing in that the type cast by

the compositors has to be transferred on to a plastic plate. These can be curved and wrapped around a cylinder thus permitting much higher running speeds. The plates involve an additional cost over the flatbed letterpress and are more expensive than those used in the litho process. As a BFMP Report states however:

> " .... it will be seen that shorter runs can be produced more economically by rotary letterpress, although the degree of savings increase with the length of run" (19)

These machines (both flatbed and rotary) are operated by highly skilled machine minders (or machine managers as they are known in some firms) and their assistants.

Some letterpress machines allow two-colour printing to take place simultaneously, but it is more usual - particularly for smaller runs - for colour work to involve the use of a number of separate presses. The process is particularly exacting at the 'make ready' stage when the machine minder attempts to ensure that equal pressure will be exerted so that the finished matter will be even in appearance. Flatbed letterpress machines are fed by single sheets of paper, whilst rotary machines allow paper to be fed either in sheets or from a reel (known as a web).

2. Lithography

Lithography is a flat surface form of printing which accounts for a little more than one third of the printing in Britain. The composition stage is generally similar to that in letterpress in that metal type is used to produce a master copy which is then photographed in order to make photo-litho plates. In some firms the use of metal in composing has been replaced by photographic composing techniques. The production of these plates (used for the actual printing operations) is generally carried out by a specialist sub-contractor.

The metal plate is wrapped around a cylinder for the printing operations. The basis of this process is that oil and water do not mix. The whole plate is damped, but the greasy printing image rejects the water which remains only on the non-printing surface. At the next stage, when the plate is spread with ink, the printing image which has been treated with a chemical that has affinity to ink, attracts it, whilst the wet, non-printing image rejects it. In colour printing a separate plate is used for each colour. Presses can normally print up to four colours in one operation.

Most litho printing today is 'offset' which involves the addition of an intermediate stage. The image on the plate is transferred on to a rubber roller and from that on to the paper. This additional stages does much to improve the quality of the final impression and, as it is rubber which comes into contact with the paper and not metal (as in the other processes), there is far less wear and tear on the printing surface.

Litho presses are normally fed by single sheets of paper, but very high running speeds may be obtained when they are fed by continuous reels of paper, known as 'webs'. (In such cases they are known as 'web-offset' machines.) Web-offset has been used in Britain for some years in the printing of provincial newspapers and magazines.

3. Photogravure

Gravure printing is an intaglio method, i.e. the ink is transferred on to the paper from a series of recesses in the printing surface. It accounts for some 10 per cent of British printing and is used mainly for magazines and packaging.

The composition stage is, in many ways, similar to that in litho. The material

to be printed is set up in relief type together with photographs of illustrations and a master copy is obtained. Using a photographic process, the image to be printed is transferred on to a copper-plated cylinder after which it is etched.

The cost of the printing cylinders and their preparation is high and thus gravure printing is used only for work involving long runs. Its main advantage lies in the fact that it can produce comparatively good colour results on cheap paper.

4. Finishing Operations

All printing requires some form of finishing and the range of tasks undertaken at this stage varies enormously. Some of these operations, e.g. folding of pages, cutting and trimming, glueing and binding, are highly mechanised in some firms whilst others, e.g. packing, still involve a great deal of manual work. The main difference between the operations described above and finishing is that most of the above tasks are performed by craftsmen who have completed an apprenticeship, whereas most finishing tasks are carried out by semi-skilled and unskilled labour.

It is generally believed in the industry that the market for print is moving away from letterpress in favour of litho. A survey published in the 'British Printer' in 1962 [20] showed that, although at that time less than 20 per cent of the total machines in the industry were litho presses, the latter accounted for some 30 per cent of the machines companies planned to buy in the near future. An article [21] in the same journal in February 1968 shows how book production by offset litho in the United States has risen from 25 per cent of total output to about 40 per cent in five years.

To some extent, even at their present stages of development, both letterpress and litho printing are interchangeable. The latter is normally preferred when the

printed matter calls for large areas of solid colour, whilst the former has the advantage where the appearance of the text and sharp definition are important. Although, as the BFMP Report referred to above notes: "Some customers demand a result which apparently only letterpress can provide",[22] a large range of printing can be carried out by either process to the satisfaction of the customer. Technological developments are already beginning to blur the distinctions between letterpress, litho and gravure. The Report[23] of the Court of Inquiry under the chairmanship of Lord Cameron, for example, refers to the development of plates made from a material known as 'Dycril'. This has a surface which is prepared in such a way that when a photographic image is printed on it, the printing portions harden and the non-printing portions can be washed away. Such plates can be used either for litho or letterpress.

Technological developments are likely to result in revolutionary changes in the industry within the next few decades. Computer-assisted typesetting, which is already in use, will reduce the skills and judgements to be made by the compositor. It is expected that photo-composition, which involves the substitution of film for metal type, will tend to become more widespread. At the present time, the machines used for filmsetting are hand-operated, but they will eventually be replaced by electronic devices capable of scanning copy and converting it into punched tape or directly into lines of justified text. Such a machine could be expected to have an output of up to one thousand times that of the human operator. The separation and correction of colours in preparing plates for colour-printing can now be carried out electronically and this process again should help to raise productivity in the industry. Machine speeds will increase as more web-offset presses are introduced and it is expected[24] that these will take on work at present carried out by the letterpress

process. Automatic register control in multi-colour web-offset presses has been introduced which is capable of making corrections when mis-register reaches 0.005 inch. This is reported to reduce waste to about one-fifth of that normally obtained by hand control.[25] A considerable increase in the amount of mechanisation of finishing operations may also be expected within the next decade in order to cope with the greater outputs of the printing presses.

Such developments will, of course, change the nature of the industry. It will cease to be a craft and become a technology. In an article in the 'Financial Times', J.E. Reeve-Fawkes comments:

> "If William Caxton could return to London today he would have little difficulty in finding a job as a printer" (26)

Leaving aside Caxton's lack of a union card, this is almost certainly the case. Such a situation, however, is about to be radically altered and some of the implications of these technological changes for the industry will be discussed below.

STRUCTURE OF THE INDUSTRY

A major difficulty faced by anyone attempting to describe 'the printing industry' is that there is no precise definition of the field to be covered. From official sources, for example, until the Standard Industrial Classification (1968) was introduced, most of the figures available were to be found under more than one heading of the Standard Industrial Classification (1958). Most of the relevant information was defined under Minimum List Heading 486 (Printing, Publishing of Newspapers, Engraving, etc.) and Minimum List Heading 489 (Other Printing, Publishing, Bookbinding, Engraving, etc.), but some printing (e.g. manufactured stationery and packaging) was defined elsewhere. A further problem arises in that these minimum list headings were shared with other industries. The British Federation of Master Printers have estimated that:

> "While general printing, excluding publishing, in 1963 covered approximately 85 per cent of the output of its appropriate MLH(489), periodicals and cartons covered only 40 per cent of the output of their MLH (respectively 486 and 482) while stationery covered only about 30 per cent of its MLH(483)" (27)

Much of the basic information available, therefore, is confusing and it is only possible to roughly delineate the boundaries of the fields to be covered.

During recent years some steps have been taken to clarify the situation. In May 1965, some very useful estimates were provided by Ronald Brech in the 'Economic Study of the Printing Industry'[28] commissioned by the British Federation of Master Printers. In August of the same year, the National Board for Prices and Incomes published some facts and statistics about the industry in its second report.[29] More recently some of the results of the 1963 census of production[30] have become available and the Economic Development Committee for Printing and Publishing have published the results of a survey of the UK Printing Industry[31] commissioned by them and carried out by a firm of management consultants. Unfortunately, as these studies have tended to use different classifications, the results obtained cannot be compared. Thus, although relatively detailed information is available about particular sections of the industry, it is still not possible to describe the entire field with any great degree of accuracy.

1. Turnover

Brech's survey was based on analysis of the 1954 and 1958 census of production with the data for 1963 constructed by projections from the 1958 figures. Further projections forward give a series of forecasts up to 1970. He divided the industry into five sections: general printing; periodicals; cartons; stationery and books (these were also included in general printing).

Brech estimated the total sales of the industry in 1965 as being £758,000,000, which was equivalent to some 8 per cent of total production in manufacturing and

represented c.2½ per cent of Gross National Product. In the eleven year period covered by the study (since 1954) the growth in turnover was 6.6 per cent which compared with an annual rate of Gross National Product of 6.2 per cent. Although generally - over the eleven year period - the rate of expansion in the industry appeared to be fairly close to the economy as a whole, the rate of expansion was somewhat below the average towards the end of the period under review. What is perhaps surprising is that there were few differences in the growth of sales between the five main categories of printing he adopted.

The latest figures available are from the study commissioned by the Economic Development Committee for the industry.[32] These cannot be compared to Brech's, however, because the taxonomy adopted is different and they exclude establishments having ten or less employees. The E.D.C. Study has three categories, viz: commercial printers, trade houses and 'other printers'. (The last category includes office printing units and "captive plants attached to factories in an entirely different industry".) It estimates that in 1967 commercial printers had total sales of c.£420 million, trade houses of c.£40 million and other printers about £110 million.

2. Number, Size and Location of Firms

The British Federation of Master Printers estimate that the industry has some 6,000 firms. Their membership of c.4,000 firms in 1964 was composed as follows:

Table 1: Distribution of Printing Firms by Size (1964)

Size	Percentage of total number of firms
Under 25 production employees	62.2
25 - 49 " "	16.2
50 - 99 " "	10.3
100 - 299 " "	8.6
300 - 999 " "	2.5
1000 and over " "	0.2
	100.0 per cent

Source: Economic Study of The Printing Industry, May 1965

The BFMP also estimated that there were a further 2,000 firms, mainly very small, which did not belong to the Federation. Department of Employment figures show the same pattern, although these exclude establishments with less than ten employees.

Table 2: Size of Establishments (June 1961)

Other Printing, Publishing, Bookbinding, Engraving, etc. (MLH 489)		
No. of Employees	No. of Estabs.	Per Cent
11 - 24	942	30
25 - 49	956	30
50 - 99	770	24
100 - 249	340	11
250 - 499)	102	
500 - 999)	38	5
1000 and over)	7	
Total	3,155	100

Source: National Board for Prices and Incomes.
Wages, Costs and Prices in the Printing Industry.
Report No. 2. August 1965

The 1967 figures of the E.D.C. Study suggest that there were 2,800 establishments engaged in commercial printing, 300 trade houses and about 350 'other printers'. The E.D.C. Report adds that there are probably about 4,000 printers with ten or less employees.

The main feature which emerges is the very large number of small units. Some 78 per cent of the firms which are members of the BFMP, for example, employ less than fifty people and 62 per cent employ less than twenty-five. The structure of the industry really reflects the comparatively low capital requirements needed to enter the industry in previous years. Nevertheless, it is interesting to note that the United Kingdom printing industry has the highest average scale of operations in Europe. Spector,[33] for example, shows that the average number of employees per printing business is forty-two in Great Britain, with the next largest (Finland) having twenty-six. Rather more than 50 per cent of the printing units in Western Europe employing 200 or more people, in fact, are to be found in Britain.

Although it is difficult to provide statistical evidence, there does appear to be a trend in the industry towards greater concentration of units. The larger firms certainly account for a relatively high proportion of output. Brech[34] points out that although some 86 per cent of establishments in general printing are in the '25 - 100' employees size, these account for only 40 per cent of the output. He continues:

> "The '100 - 299' group accounted for 11 per cent of the establishments, but 29 per cent of the sales. The '300 - 999' group was less than 3 per cent of the establishments but accounted for 22 per cent of the sales, whilst the group of largest firms (1,000 and over) was only 0.4 per cent of the establishments but nearly 9 per cent of the sales"

Figures available from the 1963 census also show that the net output per worker is higher in the larger establishments:

Table 3: Analysis of larger firms by size of enterprise, 1963.

Average no. employed by the enterprise (a)	Enterprises	Establishments	Average no. employed (a)	Gross output	Net output	Net output per head	Capital expenditure (b)	Total value of stocks & work in progress at end of year
	No.	No.	No.	£'000	£'000	£	£'000	£'000
25 - 49	531	559	19,212	35,127	21,140	1,100	1,900	3,173
50 - 99	384	430	26,293	50,245	31,062	1,181	2,311	4,806
100 - 199	197	245	26,942	51,365	32,098	1,191	2,504	6,454
200 - 299	71	120	17,348	33,216	20,566	1,185	1,788	4,366
300 - 399	29	47	10,050	21,081	12,739	1,268	1,154	2,503
400 - 499	19	34	8,318	17,806	10,346	1,244	866	2,783
500 - 749	19	66	12,085	23,909	14,041	1,162	1,290	3,354
750 - 999	6	12	5,396	11,811	7,439	1,379	841	2,131
1000 - 1499	4	17	4,956	7,578	5,427	1,095	269	1,084
1500 and over	7	46	17,536	35,407	22,909	1,306	3,027	5,141
Total	1,267	1,576	148,136	287,545	177,767	1,200	15,950	35,795

Source: Board of Trade
Report on the Census of Production 1963.

Figures contained in the Annual Abstract of Statistics 1970 show that there were approximately 153,000 people employed in "printing, publishing of newspapers and periodicals" and 263,000 employed in "other printing, publishing, bookbinding, engraving, etc.".[35] The regional distribution of these people was as follows:

Table 4: Employment by Regions (June 1970)

Region	Printing, Publishing, of Newspapers	Printing, Publishing, of Periodicals	Other Printing Publishing, Bookbinding, Engraving etc.	Total Printing and Publishing
	(Thousands)	(Thousands)	(Thousands)	(Thousands)
South East	49.3	45.5	130.7	225.5
East Anglia	2.8	*	9.3	12.1
South Western	4.4	*	18.3	22.7
West Midlands	6.2	*	15.6	21.8
East Midlands	3.4	*	16.6	20.0
Yorks & Humberside	5.9	*	20.5	26.4
North Western	14.2	4.0	22.8	41.0
Northern	3.8	*	7.5	11.3
Wales	2.2	*	3.5	5.7
Scotland	10.9	1.1	18.9	30.9
GREAT BRITAIN	103.1	50.6	263.7	417.4
(* Under 1,000)				

Source: Derived from Department of Employment Gazette, March 1971.

As these figures indicate, the industry tends to be concentrated in the South East, with another much smaller concentration in the North West.

As technological development continues and the amount of capital required to enter the industry increases, it may reasonably be expected that the importance of the larger unit will increase even further.

3. Numbers employed

It is difficult to arrive at accurate manning figures for the industry. The 1963 Census of Production gives the following information.

Table 5: Average Number Employed (including working proprietors)

	1958	1963
General printing	98,761	99,449
Magazines and periodicals	37,938	39,810
Book printing	16,286	13,436
Other published matter	8,233	9,707
Other and unclassified work done	9,746	19,628
Stereotyping, electrotyping and engraving	12,281	13,581
Total for small firms* in all groups	45,265	49,160
	228,510	244,771

* i.e. with less than 25 employees

(Compiled from the 'Report on the Census of Production 1963' 117 and 118 Board of Trade, 1969)

Table No. 6 gives a breakdown of the proportion of administrative, technical and clerical workers in the industry and compares this with manufacturing industry generally. As one might expect, because of the relatively low capital intensity and service nature of the industry, this proportion is somewhat higher than general. The percentage increase between 1964 and 1971, however, is similar to that in manufacturing industry generally.

Table 6: Administrative, technical and clerical workers in manufacturing industries expressed as percentages of total number of employees in employment at October in each year

	1964	1965	1966	1967	1968	1969
All manufacturing industries	23.1	23.5	24.3	25.4	25.9	26.0
Paper, printing and publishing	25.2	25.6	26.3	27.3	28.0	28.7

Source: Annual Abstract of Statistics, 1970. (No. 107).

Department of Employment statistics shown in Table No. 7 give the breakdown of administrative, technical and clerical staff in the industry in May 1968.

Table 7: Analysis by Occupation
Administrative, Technical and Clerical Staff

	Males	Females		Total
		Full-time	Part-time	Males and Females
Managers, works superintendents departmental managers	20,960	1,520	100	22,580
Scientists and technologists	350	40	-	390
Designers/typographers	1,570	280	-	1,850
Other technicians	930	130	-	1,060
Clerical and office staff (including works office)	22,610	37,090	4,500	64,200
Other administrative, technical and commercial staff	27,740	6,060	730	34,530
Total	74,160	45,120	5,330	124,610

Source: Department of Employment

The numbers of scientists and technologists (·31 per cent) and technicians (·85 per cent) are particularly startling when one recalls that at the present time the industry is in the throes of a technological revolution.

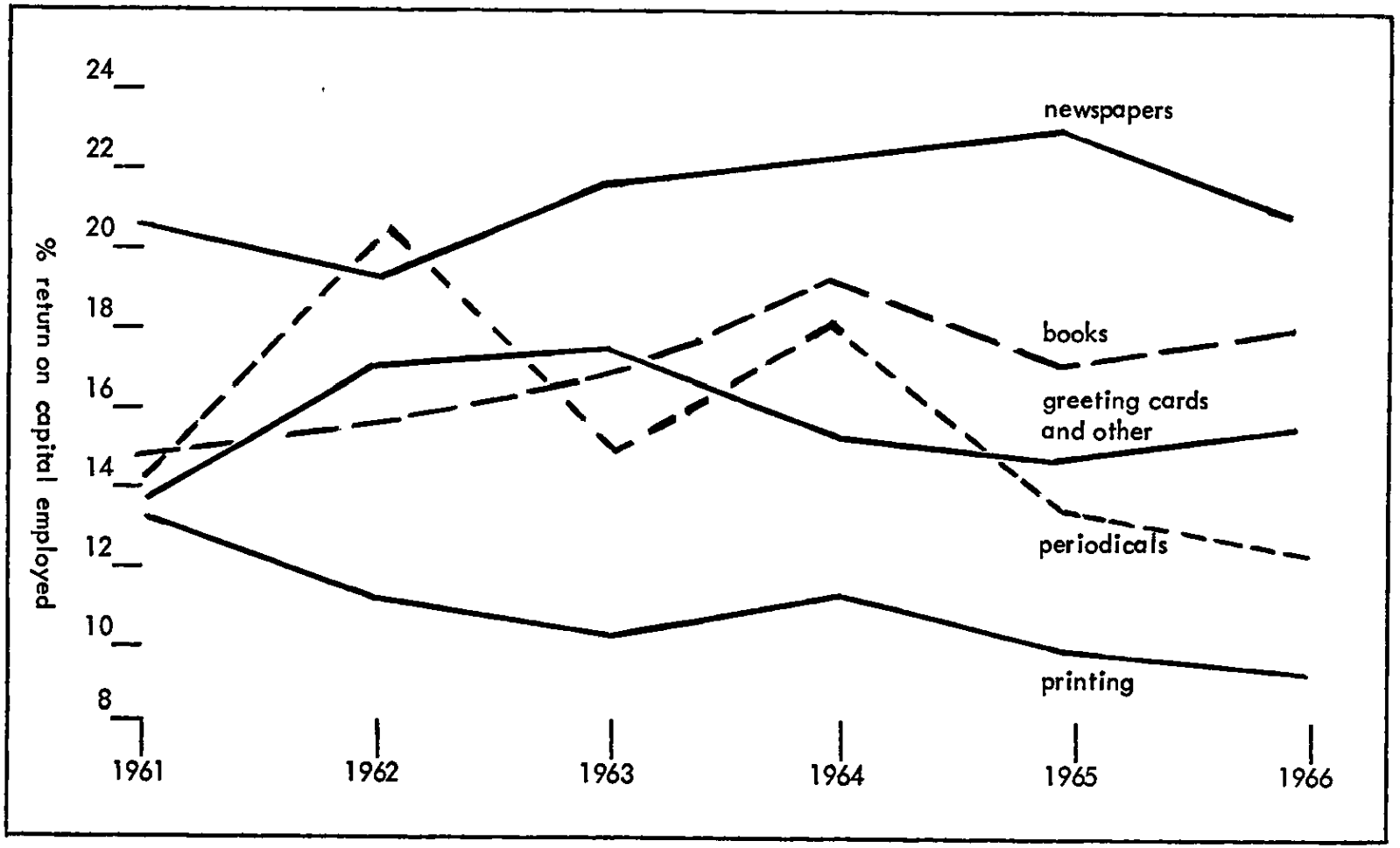
4. Capital Employed and Profitability

In 1965, the total capital employed in the industry was estimated by Ronald Brech to be £500 m. with an annual expenditure on plant and machinery of £20 m. Brech was pessimistic about the future profitability of the industry. He showed how the return on capital employed had declined from an average of 9 per cent a year between 1954 and 1958 to an average of 7.9 per cent a year between 1958 and 1963, and estimated that this would be further reduced to 6.4 per cent between 1965 and 1970. He attributed this declining profitability to the increasing manpower costs per unit of output.

Financial Tables[36] published by the Economic Development Committee for the industry in 1967 give support to Brech's gloomy prognosis. These give information gained from fifty general printers - most of them being the larger public and non-exempt private companies in the industry - which, as can be seen in Figure 1, show a continuing trend for profits as a percentage return on capital employed to gradually decline over the period 1961 - 1966. The average pre-interest, pre-tax profits as a percentage of capital employed dropped from 13.4 per cent in 1961 to 9.7 per cent in 1966. During the period, in fact, the capital employed by the fifty companies grew at a rate of 9 per cent per annum while profits grew at a rate of only 4 per cent per annum. The 9.7 per cent return should be compared with the average of 12.9 per cent for all industrial companies surveyed by the Financial Times that year.[37] It may well be, of course, that these results will not be representative of the industry as a whole, for the sample is composed mainly of large firms and, as has been shown, these are atypical.

Figure 1

TRENDS IN PROFITABILITY 1961 - 1966



Source: Financial Tables December 1967 Economic Development Committee for Newspapers, Printing and Publishing

MANAGEMENT IN THE INDUSTRY

During recent years management in the printing industry has been subjected to a considerable amount of criticism. Ronald Brech,[38] for example, lays the blame for the declining profitability of the industry on management's shoulders and puts forward four reasons for this state of affairs. First of all, he considered that capital investment in the past had been inadequate - in particular, he cited a lack of technological awareness in that a high proportion of the investment which had taken place was involved in replacing worn out machines by their modern counterparts instead of actively seeking entirely new machines and processes. Secondly, the lack of 3-shift working (and in many cases even 2-shift working) meant that utilisation of capital equipment was poor. Thirdly, management did not attach sufficient importance to the marketing function. Finally, management had not taken sufficient action to contain rising manpower costs.

The Report of the Cameron Court of Inquiry notes:

> "IPL* said that the quality of management in the industry had not been adequate in the past, and that this had been one of the causes of current labour difficulties in the industry. It alleged that in the past managers had not been selected systematically, but had often been promoted from among senior craftsmen, and that no attempt had been made to teach the skills involved in management" (39)

(*International Printers Limited)

Elsewhere in the same document is reported:

> " .... IPL informed us that it and one other group had now started a training scheme for managers, but none of the other employers organisations indicated that any training of a similar kind was being provided elsewhere" (40)

One of the conclusions reached by that Court of Inquiry was:

> "It is our view that the responsibilities of employers in any industry include providing leadership and a sense of direction. From the evidence before us we have formed the conclusion that during the post-war years at least employers in the printing industry have not adequately met these responsibilities. Their approach to industrial relations has been pedestrian, and it is our view that they have not undertaken, or pursued with the necessary vigour, sufficient forward planning to enable them to anticipate and prepare to meet difficulties in advance" (41)

The 1965 Report of the National Board for Prices and Incomes on Wages, Costs and Prices in printing,(42) describe the industry as 'characterised by insularity' and 'relatively immune to outside pressure and influences'. Of management it says:

> "Management would seem to have displayed this characteristic in full measure. There is little evidence of recruitment to the ranks of top management either from the shop floor or from outside the industry. Because there is a large element of craft skill in printing, many managers take the view that modern industrial management techniques are not applicable to the printing industry. But this is not so. Opportunities for desirable technical change and productivity improvements are being lost by failures to use modern management techniques" (43)

Before beginning field work, therefore, the impression gained by the writer from a study of the available literature was that management in the printing industry would be craft-oriented, 'inward' looking, traditional in outlook and likely to place far higher value on craft skills than on managerial expertise. With some significant exceptions, six years work with managers in the industry has largely confirmed this view and some evidence to support this viewpoint is given below.

Brech says: "craftsmanship dominates the industry from the top downwards" (44) This was absolutely correct in the case of the majority of firms visited by the Ashridge research team.(45) One of the main routes to management posts in the industry was from the shop floor, and it was noted that 55 per cent of the total sample (n = 601) of directors, managers and supervisors interviewed, had completed a craft apprenticeship.

Another major source of recruitment to management posts was the families of the master printers concerned. In such cases it was usual for the sons and nephews of the owner to be introduced into the factory at an early age and they would learn of the skills involved and the traditions of the industry at a particularly impressionable age. The latter would be accepted as 'printers' by those who had completed craft apprenticeships, although it was not usual for a 'family member' to undergo a formal craft training. This division in printing firms between 'printers' and 'non-printers' tended to have unfortunate results. One was that the 'printers' usually held the more senior and powerful posts and tended to concentrate on the actual printing operations. Matters such as marketing, finance and administration (all normally dealt with by non-printers) generally had low prestige and little influence on decision making. The quality of the work undertaken was frequently of considerable interest to top management who were usually enthusiastically involved in day-to-day production problems. The time spent on these routine matters was considerable, which was undoubtedly a contributory factor in determining the lack of technological awareness amongst those involved.

Brech also said that marketing should play a more important role in the industry over the next five years and concluded:

> "The future of any industry depends on first-class marketing, and this is as true for printing as for any other industry" (46)

In the Ashridge sample, there was no one with specific responsibility for the marketing function. Two firms (both within the same group) did, however, have a marketing manager at the group level. This absence of marketing specialists was by no means a special case. It was found, for example, that about 1 per cent of managers nominated engineering, work study or organisation and methods or personnel as the functions in which they worked. Printing seemed to be an industry where the abilities of the gifted

amateur was highly valued and where professionalism was somewhat suspect. This lack of appreciation of modern management techniques was perpetuated, partially at least, by the relatively low managerial mobility. 81 per cent of respondents, for example, had been in the industry for more than ten years and 55 per cent had been in their particular firms for this period.

In such an industry one would not expect management training to be regarded as an important factor in the improvement of economic performance. The Ashridge survey largely confirmed the evidence put before the Cameron Court of Inquiry by International Printers Limited mentioned above.(47) 55 per cent of the 601 respondents said that they had had no formal management training and, although the remainder claimed to have had some formal training in this area, in many cases they had in mind such things as three-day work study appreciation courses. The extreme attitude of managers to formal training is perhaps illustrated by the remarks made by one respondent regarding the training of apprentices:

> "Bad policy to send apprentices to school to learn subjects which are of no use to them. English and science no use to the printing industry"

It is by no means an easy task to convince managers in the industry of the relevance to them of such things as market research or personnel management. Their main concern seems to be with maintaining quality standards and meeting delivery dates. The technological advances facing the industry and the market pressures their firms are likely to meet are - in the main - quite unknown to most junior managers (particularly production managers).

It is, of course, easy to be critical of the lack of expertise amongst printing managers, but it must be remembered that the industry does consist mainly of small firms. This factor alone makes it difficult for management to be highly specialised

and, in the absence of such people as personnel managers or training officers specifically charged with management development, it is not surprising that this has tended to be neglected. What is more important is to suggest how the situation can be improved in the future. An article in the British Printer entitled 'Manpower or Brainpower'[48] gives some results of a statistical survey of recruitment into the industry. This shows that the industry is recruiting a better-than-average (as measured by G.C.E. and C.S.E. results) cross section of the pool of available school-leavers, but virtually leaves untapped the seventeen, eighteen and nineteen year old pool of school leavers. Some of the latter are involved in the degree course in printing technology at Watford or the HND course which is operating at the London College of Printing and some other colleges of technology, but the numbers concerned are small.

Traditionally, of course, the industry has relied on the boys leaving school at the earliest possible age to provide its supply of potential managers. (The Ashridge sample showed that 81 per cent of those interviewed had completed their full-time education by the age of sixteen and 33 per cent had left school before their fifteenth birthday.) Most of the firms in the industry are unlikely to recruit graduates in any numbers (2 per cent of the Ashridge sample held university degrees) and they should perhaps (as the article mentioned above suggests) concentrate on obtaining G.C.E. 'A' level standard school leavers to provide some, at least, of its managers in the future. Before he became Chairman of the Printing and Publishing Industry Training Board, Norman Fisher said in an article in the Financial Times that printing managers will have to learn to think: "..... not as engineers, technicians or craftsmen, but as businessmen".[49] This is of vital importance to the future of the industry and it is gratifying to see it reported[50] that the Printing and Publishing Industry Training Board is giving priority to management training needs.

The industry should also be able to benefit from greater use of management consultants and this will probably become more widespread with the advent of Government grants to the small firms employing them.

MARKETS

The main difficulty involved in examining the market for print is the almost complete absence until comparatively recently of any data on market trends. One attempt to overcome this is the quarterly statistical inquiry[51] by the Board of Trade into the printing and publishing trades sales and receipts. This covers newspapers and magazine publications and other printing and publishing, bookbinding and engraving firms with more than twenty-five workers, or with less than twenty-five if they have an annual turnover of more than £10,000.

The market for print is, of course, extremely varied, and can best be examined by differentiating it in three main ways:

1. the geographical market;
2. the market for the various printing processes, e.g. letterpress, litho, gravure and silk screen; and
3. the markets for specific products, e.g. books, postage stamps, brochures, packaging or mathematical texts.

1. The Geographical Market

Printers are quick to point out that theirs is a service industry and most of the small firms in the industry see themselves as providing a service to their local communities. This means that their work depends upon personal local connections and the work that they carry out will very largely be determined by the industry or business in their particular area. Thus firms in the City of

London will tend to carry out work for banks and other finance houses, whilst those in the Midlands may cater for the motor industry. Any developments which take place in technology are more likely to be a result of the demands of customers, rather than planned strategy on the part of the printer.(52)

Close relationships are often developed between printers and their customers. When the printer has provided a good service over the years and the customer is satisfied with the quality of his work, he may not look too closely at price. Indeed, one of the problems facing the buyer of print is that he is primarily buying the services of the printer to carry out the work he wants done - if one printer (whose work he is not familiar with) quotes a lower price than 'his printer', is the lower quote likely to produce a job of the same quality as usual? The close personal relationship between the printer and his customers will also tend to have drawbacks for the former in that he will be expected to take on work, such as the printing of visiting cards, which is unlikely to be very profitable.

It may be expected that many small firms with low overheads and relatively small capital requirements, will be able to continue for some years to serve their local markets in this way. If, however, they wish to grow, this will probably mean moving out of their purely local markets into those at the regional, national, or international, level. Such a move will involve them in developing some particular expertise, or in acquiring additional plant to demonstrate that they will be able to cope with larger orders. It is perfectly feasible for a small printing firm to make such a move, even to the extent of relying almost entirely on foreign orders, as will be demonstrated in the case studies in Part 4. The trade press sometimes writes of such firms. In April

1967, for example, the British Printer contained an article[53] describing how a small family business employing sixteen people in Yorkshire developed from general printing into colour printing on PVC and was exporting one third of its output. The company had carried out an extensive sales tour in the United States and amongst its potential customers was the Ford Motor Company in Detroit.

2. The Market for the Various Processes

In the description of the various processes used in the industry, it was emphasised that these are becoming more alike as the technology develops. Nevertheless, the characteristics of each process and such factors as the length of run are likely to give one process advantages over the others. Letterpress, for example, has advantages if corrections have to be made while, on the other hand, litho has advantages for the printing of large areas of solid colour. Some print buyers, however, like to specify letterpress for such work as reports and accounts because of the clear definition this process provides. Silk screen printing is comparatively rare and is mainly used for printing advertisements for billposters. Photogravure has the advantage that it can produce colour work of a reasonable standard on cheap paper, but this process demands long runs to justify the high costs of the cylinders required.

To some extent, therefore, there is a market for each of the processes but, as the technology develops, the distinctions between them are likely to diminish.

3. The Market for Specific Products

Because of the enormous variety of printed products, it is only possible here to look at the main categories involved. These are as follows.

(a) Periodicals

There are about eight hundred periodicals produced regularly in the United Kingdom and about one hundred and seventy-five of these receive national distribution. It is a growing market for new journals appear each year, although the mortality rate is also high.(54)

Most periodicals are produced by general printers, although some are printed by specialists in this field. Periodical printing involves greater medium-term security for a firm and, to some extent, shields it both from seasonal fluctuations in demand and from excessive effects of changes in levels of economic activity in the country generally. This security may, however, be more apparent than real. Indeed, it can be strongly argued that the possession of a contract to print a major periodical places a printing firm in an extremely vulnerable position, since the loss of such a contract through the demise of the periodical concerned or for some other reason means an immediate loss of a very substantial proportion of turnover. This is a difficult market into which to make substantial inroads. The publishing and printing of periodicals is tending to become concentrated under the control of a number of large publishing houses having their own printing facilities.(55) The level of competition among independent printers for the contracts to print the shrinking number of periodicals remaining in the free market is high, with the consequence that profit margins are unlikely to be generous. In general, it can be said that periodical work is conducive to stability of operations, accompanied by small profits, together with a somewhat dubious feeling of security.

(b) General Commercial Work

This covers an enormous range of products, e.g. reports and accounts, advertising, brochures, price lists, mail order catalogues, handbooks and so on.

General commercial printing offers less limited prospects for growth than the printing of periodicals and the possibility, at least, of a higher level of profitability. It is, however, in many ways an operation much fraught with risk. The volume of general printing is a reasonably good index of economic activity in general, which means that it is sharply affected by seasonal and longer-term changes in level of demand. It is an untidy market in which to operate, in the sense that at times there may be more jobs in hand than a company can reasonably handle, whereas at other periods machines are idle and men are standing around with little or nothing to do.

(c) Book Printing

This market has been greatly expanded during recent years by the growth in sales of paper-backs where the annual output is now in the region of 100 million volumes per year (in 1960 there were some 6,000 titles available). Most of the long run popular production is carried out by eight large printers, but as an article in the British Printer has stated:

> "There seems no logical reason why any medium sized printer who is prepared to equip for this type of work should not profitably corner a share in this business" (56)

Book-printing itself involves a wide range - from childrens books to advanced scientific texts - and no one printer normally encompasses

the whole field. Although it would appear that printers (at least, the best known firms) operating in this market are relatively successful, they are being continually faced by increasing competition from overseas.

(d) Specialist Printing

This involves printing which requires special conditions (e.g. security) or expertise (printing on film or other material). The decision to specialise is seen by some firms as a risky one because of the high cost of acquiring specialised equipment. It would appear, however, that firms which do specialise not only increase their turnover, but return relatively high profits.

Although an attempt has been made to distinguish the various markets in which the industry operates, the service nature of the industry must always be borne in mind. The speed, quality or service provided to a customer may be given far more weight than price, thus it may be difficult for the expanding firm to gain traditional work from its competitors. The market-orientated firm, of course, will provide a more comprehensive service than its competitors. One firm to be discussed later - Midland Printers Ltd. - had taken over a design studio. British printed design is said to be amongst the best in the world[57] and this firm is able to offer a complete design service in addition to carrying out the printing of the brochure or advertisement concerned. Another firm well known to the writer has developed its foreign language facilities and, with its design service, offers its customers an even more comprehensive service. Any steps taken to take advantage of the skills possessed by a firm by concentrating their resources on what they consider a profitable activity will, of course, tend to bring them into conflict with the needs of their established customers for more general work.

The printing industries of some Continental countries, viz. Holland, Italy and Czechoslovakia, have been largely developed around a specialist export trade in contrast to the British printing industry, where less than 10 per cent of its turnover goes overseas and there is some evidence[58] to suggest that overseas competition is becoming more important. The Overseas Trade Accounts for the United Kingdom[59] show that in the period between 1955 and 1967, imports of printed matter rose by 16.2 per cent to £31 million while exports over the same period rose by only 9.3 per cent to £56 million. Although this leaves a positive trade balance of some £25 million further analysis of the figures shows that this positive balance is due almost entirely to security printing (postage stamps and currency) and books, newspapers and journals. In one category - trade catalogues and advertising material - the export situation has deteriorated considerably from a positive balance of £613,000 in 1963 to a deficit of £2 million in 1966, and the figures generally suggest that British printers are not adequately meeting the competition from their European competitors.

As standards of living rise and consumers become more sophisticated, there is a tendency for the demand for high quality colour printing and various specialist printing associated with packaging, to increase. There is some evidence to suggest that the industry is not meeting this demand. The Economic Development Committee for the industry suggests three reasons for this: one is that the rapidly expanding packaging market is being exploited by firms outside the industry (particularly true where the printing is on materials such as plastic foil or tin). Another is for firms with a large demand for print to set up their own printing plants. Finally, there is the growth in the use of small offset litho machines to cater for routine printing needs.

The situation must be a bewildering one for the average master printer. The market is a huge and diverse one, as is the number of firms dealing with it. It can

easily be appreciated that most printers do, in fact, continue to concentrate on meeting the demands of their customers and few adopt an aggressive marketing approach.

SYSTEM OF INDUSTRIAL RELATIONS

An account of any industry would be incomplete without some description of its system of industrial relations and such an omission would be particularly serious in the case of the printing industry where a number of factors combine to make it of special interest to the student of industrial relations. The account which follows is necessarily brief and the reader who would like to obtain more comprehensive information is referred to the excellent book on industrial relations in the printing industry by John Child.(60)

1. Background

Many of the problems faced by the industry at the present time can only be understood if one examines its history and, in particular, the status of the printing craftsmen and the development of the trade union workshop organisation. Initially, the prestige attached to the printers' work came from the skill of literacy required in the setting of type. As Musson remarks, journeyman printers were:

> "particularly conscious of the intellectual character of their profession in an age when a third of the men and half the women could not even sign their names in a marriage register" (61)

Their self image is reflected in the minutes of meetings of typographical societies in the nineteenth century which refer to members as the 'gentlemen' of such-and-such an office and to their profession.(62) The special nature of the role of the journeyman printer was also noted by Veblen:

> "The peculiar habits of the class (i.e. journeyman printers) in this respect are commonly set down to some kind of an ill-defined moral deficiency with which this class is credited, or to a morally deleterious influence which their occupation is supposed to exert, in some unascertainable way, upon the men employed. The state of the case for the men who work in the composition and press rooms of the common run of printing-houses may be summed up as follows. Skill acquired in any printing-house or any city is easily turned to account in almost any other house or city; that is to say, the inertia due to special training is slight. Also, this occupation requires more than the average of intelligence and general information and the men employed in it are therefore ordinarily more ready than many others to take advantage of any slight variation in the demand for their labor from one place to another. The inertia due to the home feeling is consequently also slight. At the same time the wages in the trade are high enough to make movement from place to place relatively easy. The result is a great mobility of the labor employed in printing; perhaps greater than in any other equally well-defined and considerable body of workmen" (63)

What is of particular interest to the social scientist is that despite the very considerable changes in job content and skill requirements which have occurred in the role of the compositor since the industrial revolution, there has been little change in the position of this job in the occupational structure of the country. (It is interesting to compare the ways in which compositors have managed to maintain their position in the occupational structure of manual workers with the relatively depressed status of the technologist amongst professional groups. Although much has been done to raise the prestige of the technologist's role - technologists have been given seats in the House of Lords and colleges of advanced technology have been given university status - little change seems to have taken place in their occupational prestige. Such a situation is by no means confined to Britain. A study of occupational prestige in the United States concludes:

> " ..... systematic patterns of change could be detected, but one would miss the import of this paper if one failed to recognise that these changes were minor relative to the overall stability" (64))

Compositors are amongst the highest paid manual workers in the United Kingdom and enjoy high prestige within the printing world. Evidence to support the

the present day position of compositors as 'marginal men' between manual and white collar workers is provided by Cannon[65] who found that 62 per cent of London compositors were house-owners compared with 28 per cent of other skilled manual workers. They were also much closer to middle class norms in such patterns of living as size of family, newspaper reading habits and holidays abroad.

It is perhaps unlikely that the reluctance of any social systems to adapt to technical changes can be seen anywhere as clearly as it can in printing. Sadler explains:

> "There is always a time-lag between changes in a technical system and related changes in a social system, and this time-lag is likely to be the greater the longer the social system has been immune from disturbance and the greater the sanction of custom and tradition behind it. Moreover, it will often be the case that the threat to existing work and status systems which technological change creates will lead to strong action on the part of pressure groups to ensure that evaluations of particular tasks or classes of individuals do not change as a consequence of changes in technology" (66)

The printing industry clearly fulfills all these requirements for a 'time-lag'. The industry was in existence before the industrial revolution and the technical change which has taken place over the years has evolved slowly. The industry still consists mainly of relatively small firms (many of which are family firms) and the sense of tradition is considerable. Perhaps the most important agent in maintaining the customs, traditions and values of the industry, however, is the workshop organisation of the printing workers, the chapel.

Chapels were in existence before trade unions - they were certainly well established in 1682. Moxon, for example, writing in 1683 points out:

> "Every Printing-house is by custom of time out of mind, called a Chappel; and the oldest Freeman is Father of the Chappel" (67)

Sykes[68] explains that the chapel developed from spontaneous informal groups and it was at a later stage of their existence that they took on as an additional duty the trade union function within the workshop. He points out that the major principles underlying the activities of the chapels are those of unity and equality. This means that management deals not with a set of individual workers but with a highly organised and highly cohesive group. The response of the latter to suggestions from management may be predicted from an examination of the effects of the suggestions on the unity and equality valued by the group. Thus any attempts to pay workers doing similar jobs different rates of pay is unlikely to be accepted by the chapel, although they will accept that workers doing different jobs should be paid according to the skills demanded by these. Similarly, individual incentives are likely to be seen as a threat to chapel unity and group incentives are much more likely to be accepted. Another example of the degree of unity and equality amongst chapels is the way in which the role of the father of the chapel has developed. The father of the chapel (F.O.C.) corresponds roughly to the shop steward or branch secretary in other unions, but a major difference is that he acts as a spokesman for the chapel - he is not empowered to act on his own initiative. His personal unimportance is such that in many chapels the office of father of the chapel is filled by members in rotation. The importance of the chapel as a decision-making group was also mentioned by Moxon:

> " ..... plurality of votes in the Chappells. It being asserted as a Maxim, 'That the Chappell cannot Err'. But when Controversie is thus decided, it always ends in the Good of the Chappell" (69)

The importance of the chapel rather than the F.O.C. also is shown by the extent to which people in the industry constantly make references to 'the chapel' but

comparatively rarely to the F.O.C. To quote Sykes:

> "The Chapel, then, is primarily a means whereby the group arrives at collective discussions, its officials are subordinate and no more than the instruments whereby the decisions are implemented" (70)

It is interesting to note that although only minimal rules or procedures are laid down by the unions for chapels, such is the force of custom and tradition that they are remarkably alike throughout the country. Sykes attributed the strong sense of tradition in the industry to the fact that the chapel is an amalgamation of different types of groups. The chapel is at the same time a primary group (most chapels are relatively small groups); a traditional group (based upon custom and tradition handed down orally) as well as a trade union unit. He argues that when a group has multiple functions of this sort, the different purposes tend to reinforce one another and it will therefore have high cohesion.

It would certainly appear to be true that the chapel does exercise control over its members and the rate of change in the industry. Delafons reports:

> "Throughout the enormous industrial, technical and social changes that have occurred in Britain through that period to the present day, the printing trade unions have retained - and compelled the industry to retain - many of the customs, concepts and practices of the original sixteenth century manual craft. In no other industry have the rates of ancient tradition found or stood a barracade against any fundamental change of method and procedures" (71)

Sykes has shown how the informal and formal sanctions of the chapel operate against the journeyman who fails to conform. He cites the case of Benjamin Franklin who refused to pay his due to the chapel when he was working in London as a printer. As a result of this, he was 'excommunicated' and his tools stolen whenever he left them. Franklin wrote of the experience:

> "Notwithstanding the master's protection, I found myself obliged to comply and pay the money; convinced of the folly of being on ill terms with those one is to live with continually" (72)

The typical chapel is still a relatively small group and one may expect that the traditions involved would be handed down to apprentices today very much as they have been in the past. Apprenticeship, therefore, involves a socialisation process as well as the acquisition of manual skills.

Psychologically, membership of a system where both the boundary of the task group (the department) is still the same as that of the primary group with which members identify themselves (the chapel) is regarded by many writers as ideal.(73) Undoubtedly, it is true that such a situation is likely to be particularly effective in meeting the social needs of the workers, but as Miller and Rice point out,(74) such groups intent on preserving these socio-emotional satisfactions are likely to be particularly resistant to change.

2. Employers

The major employers' organisation in the industry is the British Federation of Master Printers and, as mentioned above, this association has about two-thirds of the firms engaged in printing amongst its members. Other employers' organisations involved are the Newspaper Society and the Newspaper Proprietors Association. The former consists of the owners of provincial newspapers, whilst the latter represents the interests of the proprietors of national daily and Sunday papers and London evening papers. One of the suggestions of the Cameron Report (75) was that these three organisations should be merged.

3. Trade Unions

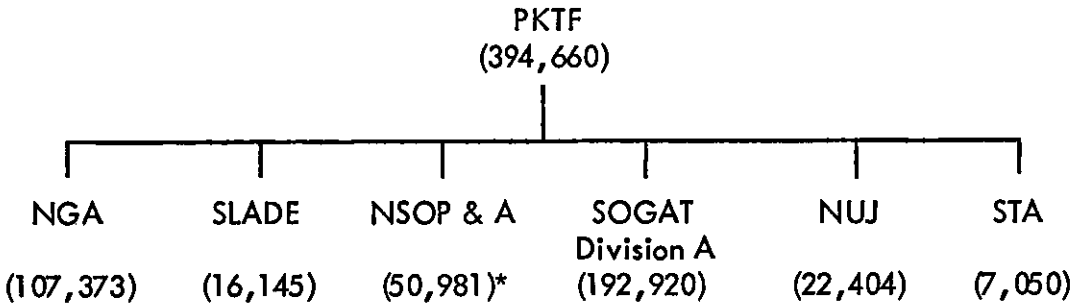
About 80 per cent of printing production workers are members of a trade union

and there are six main unions representing their interests. These are divided into craft and non-craft organisations but some unions include both craft and non-craft workers in their membership. All the unions are affiliated to the Printing and Kindred Trades Federation (PKFT) which has a co-ordinating function and acts as spokesman for the employees of the industry.

It can be seen from Figure 2 that the Federation is dominated by two major unions which account for some 75 per cent of its membership. The National Graphical Association (NGA) with over 107,000 members, mainly represents compositors and machine minders of craft status. It developed as a result of a number of amalgamations, the most recent being with the Amalgamated Society of Lithographic Printers in 1969. The other major union involved, in terms of size and membership, is Division A of the Society of Graphical and Allied Trades (SOGAT) which has some 193,000 members. It is a general union representing printers' assistants, paper workers, warehousemen and drivers and, until 1966, was called the National Union of Printing, Bookbinding and Paper Workers (NUPB & PW). It then amalgamated with NSOP & A but the resulting conglomerate was dissolved in 1970.

Amalgamations between unions have taken place over the years, therefore, and as the Cameron Report[76] has shown, seven major mergers have occurred since 1955. In most cases, however, these amalgamations have taken place between craft or non-craft unions and it seems unlikely that a merger will occur between a craft and a non-craft union in the foreseeable future. The recommendation of the Cameron Court of Inquiry - that there should be one union for the industry - appears to be unlikely to be implemented for some considerable time.

Figure 2 PRINTING TRADE UNIONS



PKTF	Printing & Kindred Trades Federation
NGA	National Graphical Association (craft) (amalgamation of Typographical Association, London Typographical Society, Association of Correctors of the Press, National Union of Press Telegraphists, National Society of Electrotypers and Stereotypers, Amalgamated Society of Lithographic Printers)
SLADE	Society of Lithographic Artists, Designers, Engravers and Process Workers (craft)
NSOP & A	National Society of Operative Printers and Assistants (mainly non-craft)
SOGAT 'A'	Society of Graphical & Allied Trades (mainly non-craft)
NUJ	National Union of Journalists (effectively craft)
STA	Scottish Typographical Association (craft)

Note

Excluding Wall Paper Workers Union (4,000 members), Sign and Display Trades Union (1,731 members) and London Society of Music Engravers (30 members)

Sources

Cyril Spector (1967) Management in the Printing Industry London: Longmans

Report on a Court of Inquiry into the problems caused by the introduction of web-offset machines in the printing industry (1967) Her Majesty's Stationery Office Cmnd 3184

Annual Report 1969/70, Printing and Kindred Trades Federation

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* after the dissolution of SOGAT; all other membership figures relate to December 1969.

One important control exercised by the craft unions generally is that over entry into the industry. Recruitment to the craft grades follow completion of five or six year apprenticeships and the number of apprentices that a firm can employ is subject to negotiation. The Cameron Report regarded this as prolonging the inflexibility of the labour force and recommended the introduction of a "multi-craft basic training on which specialist skills and knowledge can be later superimposed".

The Report of the National Board for Prices and Incomes maintains that the inefficient use of manpower is a more serious matter than restrictions on entry. The Report points out:

> "The problem is bound up in large part with the problem of demarcation; this is found both within and between unions, craft unions and non-craft unions. Printing is a long established industry and the printing craftsman has jealously defended his craft status. The original aim was legitimate and justifiable, but what started as a protective measure has in the modern context become restrictive, and a check to higher productivity. For technical change implies changing jobs; and rigid preservation of craft status implies resistance to changing jobs. In particular the technical developments of recent years have tended to blur the old distinctions between unions and to throw all workers into a close relationship" (77)

It goes on to criticise some of the restrictive practices of the industry which include:

(a) restrictions on the number of workers who can be upgraded - for example, from machine assistant to machine minder - even though they may be fully skilled;

(b) overmanning, as when twelve machine assistants are employed to man twelve machines whereas six could do the work;

(c) pegged outputs, as when machine outputs are restricted to pre-determined levels well below what is possible to achieve; and

(d) various other restrictions such as the control of overtime, starting and finishing times, and the transfer of men from one firm to another, all of which have the effect of artificially inflating manpower shortages and manpower costs.

Further evidence of the working of restrictive practices is provided by Robert Doyle, a warehouseman working for IPC who, in an article complaining about management and monopoly in printing, admits:

> "It would be stupid to deny that the printing trade appears over-staffed today"

He goes on to describe the "absurdity" of the "Saturday Night" in which printworkers in his section of the trade are given an opportunity to work in Fleet Street on a Saturday night on the Sunday papers. Doyle reports that on such occasions:

> " ..... you can see several hundred men doing nothing, since the machines have reduced the number of men required to a handful. On average for the one night they are paid £12.50" (78)

4. Negotiations between Employers and Trade Unions

National wage agreements which determine the basic rates for the industry are negotiated between the British Federation of Master Printers and the Newspaper Society representing the employers and the Printing and Kindred Trades Federation (PKTF) representing the unions. (The national newspapers conduct their negotiations separately through the Newspaper Proprietors Association.) The Newspaper Society representing the proprietors of provincial papers is concerned because most of its members also carry out general printing and about 35 per cent are also members of the British Federation of Master Printers. The agreements reached between the PKTF

and the employers are signed separately by the individual unions concerned who may negotiate individually if they so wish.

The basic rates agreed at national level are the minimum rates for each category of employee in the industry. They vary, however, according to geographical location and type of work undertaken. Thus workers in London have one basic rate, those in other major cities or towns have another and the remainder of printing workers throughout the country have a third. The Report of the Prices and Incomes Board points out:

> "The basic rate for a hand compositor employed on evening newspapers is more than that for a hand compositor employed on jobbing, weekly and bi-weekly newspapers, but less than that for a hand compositor employed on morning and tri-weekly newspapers. Further, if he works in a newspaper office which publishes four or more separate weekly newspapers with separate registrations and separate titles the compositor receives an 'extra' of 20p a week" (79)

The basic minimum rate provides the basis for shift and overtime rates, for calculating apprentice rates and for overtime payments. Between 1950 and 1967 the national wage settlement included a cost of living payment which was related to the Index of Retail Prices. As this was not considered as part of the basic rate it did not enter into calculations for the purpose of calculating shift and overtime payments. During the years part of this payment was 'consolidated' into the basic rate, however, and in 1967 the entire sum was incorporated in the basic rate. (Apart from rates paid to members of the Society of Lithographic Artists, Designers, Engravers and Process Workers who did not agree to this change.) In addition to negotiations on basic rates some claims are put forward at national level by individual unions. These normally consist of 'machine extras' which

represent additional payments for working on particular types of machines.

Some negotiations are carried out on a regional basis (e.g. the London Master Printers Association negotiates on behalf of member firms in London) while at the purely local level, printing workers may be paid merit money or 'house rates' which are negotiated by the father of the chapel with the management of the firm. The result of these discussions probably reflects more than anything else the market rates for labour in the area and the bargaining strength of the individual chapels concerned.

As one might expect, therefore, the wages paid to people in the industry vary considerably. The Report of the Prices and Incomes Board says:

> "The wage packets of workers in general printing and provincial newspaper industries can be made up of basic minimum rate, cost-of-living bonus, and usually some or all of the following: shift extra, overtime, incentive bonus, 'machine extras', 'merit money', and 'house rate'. In practice earnings can vary from the basic minimum plus cost of living bonus to sums that are, in some specialised sections of the industry, nearly three times as much" (80)

For some years printing workers have been among the highest paid workers in the country. In October 1970, for example, Department of Employment figures[81] show average weekly earnings for adult male manual workers in paper printing and publishing were £33.68 per week compared with £28.05 (or £28.91 in all manufacturing industries) in all industries and services. The Report referred to above arose as the 1965 wage settlement of the industry was referred to the National Board for Prices and Incomes. The agreement, which allowed for increases of at least 3.5 per cent on basic rates was, in the view of the Board, only justified if accompanied by major changes in working practices leading towards higher productivity.

Freedom of action in industrial relations matters on the part of the management of any one firm is limited by the need to keep in step with the employers' association. As the BFMP represents firms in every size range and engaged in every aspect of the trade, inevitably problems must occur from the fact that the economic strength and particular requirements of each kind of firm may differ considerably. The employers' policy, therefore, is likely to represent a compromise between conflicting interests rather than a positive approach to the problems facing the industry. The difficulties faced by the BFMP because of this fragmentation of the industry were recognised by the Cameron Court of Inquiry.(82) The Cameron Report, however, commented that employers had allowed:

> " ..... control of certain matters which are normally within the prerogative of employers to pass into the hands of the unions to a degree ..... possibly without parallel in this country" (83)

Some firms in the industry - particularly those concerned with the printing of newspapers or periodicals - are particularly vulnerable to the threat of industrial disputes and may be far more anxious than most to settle a claim rather than face a protracted dispute. In most firms, however, increased labour costs can usually be absorbed (publishing firms may rely on advertising for their main source of income and not expect to make a profit on their printing operations) or passed on to the customer in the form of increased prices for, as the Prices and Incomes Board Report points out, customers seldom query price increases. Most employers, therefore, are unlikely to have a positive approach to industrial relations problems.

At least some of the criticisms of the Cameron Court of Inquiry and the National Board for Prices and Incomes were met by the agreements between

the employers and the various unions which were ratified in December 1967. This agreement included provisions for increased flexibility and inter-changeability of labour, improved arrangements for the retraining and transfer of craftsmen between letterpress and litho and the use of objective methods of assessment to establish manning requirements on new plant. The agreement also contains a wide range of productivity clauses which provide a basis for productivity bargaining at factory level.

As the Cameron Report points out, however:

> "It is quite clear, however, from the evidence which was given to us that whatever may be the quality of management generally, this is an industry in which there is a dearth of managers with special responsibility for personnel matters ..... There seems little doubt, therefore, that insufficient attention has been paid by firms to the importance of providing an adequate personnel function within the management structure" (84)

The industrial relations problem involved in overcoming restrictive practices, establishing manning needs and agreeing rates of pay for new plants are likely to require considerable skill and time to overcome. It is unlikely that the industry generally will be able to take much advantage of the productivity clauses negotiated in 1967 because of the absence of people specialising in this area. That the unions are prepared to meet progressive employers in negotiating mutually advantageous agreements is reported by the National Board for Prices and Incomes(85) who cite the case of one London company which had negotiated a 'high output/high reward' agreement. This gave the employees higher wages, longer holidays, full pay during illness and so on in return for realistic manning and high productivity.

5. Industrial Relations Climate

Paradoxically, although the industry is probably subject to more control from the trade unions than any other, day-to-day relationships between management and chapels in printing firms appear to be reasonably amicable. Table 8 shows the number of days lost through industrial stoppages during the past five years.

Table 8

Year	No. of stoppages	No. of workers involved	Working days lost
1966	9	1,600	10,000
1967	11	3,400	11,000
1968	10	2,000	21,000
1969	24	10,100	55,000
1970	33	30,100	120,000

Source: Department of Employment.

N.B. These figures do not include stoppages involving fewer than ten workers (or political strikes). 90 per cent of days lost in 1970 were in the newspaper industry.

This may well be the result of what the Cameron Report calls "a fatalistic acceptance" by employers of the restrictive practices in the industry which most of them seem to perceive as being immutable and characteristic of the trade.

One can have considerable sympathy and understanding for the unions in maintaining the plea of journeymen in 1577 "that they be well and truelie paid for their worke"[86] even though today, as has been shown, they are far from poor. As

Lewis Mumford has said:

> "There is no necessary relation between technological exploration and human wellbeing" (87)

and, as the industry becomes more rationalised and technological development continues, more and more printing workers may find themselves in the situation of Robert Doyle and his colleagues, where fear of redundancy and lack of suitable alternative employment loom large. (Printing is still relatively secure, however; unemployment rate is about one third of the overall national rate.) If management does not take the initiative in such a situation and make sure that all employees in the business understand its objectives and show to everyone that its workers at all levels will be treated fairly, then it is not surprising that the unions should act in a defensive and cautious way. As the Report of the National Board for Prices and Incomes states:

> "We consider that the employer must carry his share of the responsibility for failing to remove the sense of insecurity which accounts in large measure for the workers' attitude" (88)

In the smaller firm of course, it is a relatively easy matter for the employer to communicate a sense of security and purpose. The problem becomes acute in the larger unit where, typically in printing, management is untrained and may well expect methods of communication which worked adequately in smaller enterprises to suffice.

Even if the standard of management in the industry were to improve radically overnight, this would be of little value without the support of the unions. If faced with a jurisdictional dispute between two unions, for example, the most

efficient management team would feel itself emasculated and unable to provide the leadership it probably would consider it should offer.

FUTURE OUTLOOK

It can be seen that generally both the social and the technical sub-systems of this industry have failed to adjust to meet the current demands of their environments.

If one examines the technical sub-system, for example, it can be seen that with a few exceptions the industry is still craft based. As Michael Shanks has written:

> "Printing today represents one of the great survivals of craft industry in a technological age"

and goes on to suggest that perhaps there is:

> " ..... no other major industry today to which the application of electronic processes present greater opportunities for technical change" (89)

With increasing pressure of competition from overseas printers, with more concerns beginning to do their own printing and the greater use of small offset machines, the industry is being forced to take some notice of these technological advances. There is little doubt that if the industry is to meet competition, such innovations as computer-assisted type setting; photo-composition;(90) electronic colour scanning; teletype setting; facsimile transmission and web-offset presses will result in radical changes in the printing world within the next twenty years.

Such technical changes will have repercussions in the structure of the industry. In many cases the capital required to take advantage of technological advances is considerable and, as this is the case, it will probably be the larger firms which will

adopt them first. With the big firms seeking to obtain maximum possible utilisation of such capital intensive plants, where the marginal cost of additional throughput is small, the prices they will be able to offer will be such that the smaller units may not be able to compete. As Brech forecast, the tendency will probably be for the larger units in the industry to expand at the expense of those of middle size. As Brech points out, there will still be a place for the small firm carrying out jobbing orders and it is the medium-sized firm (25 - 250 employees) that "will tend to be squeezed out".(91) The Cameron Report(92) notes that even some of the smaller units can afford some of the latest equipment which will enable them to increase their production and their future might well be in printing standardised lines for larger printers, or using some of their capacity in carrying out sattelite printing for newspapers and so on. What will almost certainly happen, in the view of the writer, is the firms in this medium size range will either become specialised in one part of the printing process or will join together in groups.

Such changes, of course, have profound implications for the social sub-system involved. Printing companies - many of which have been in the hands of one family for several generations - may not take kindly to the thought of going to the public for money, or being responsible to a group board of directors for the running of 'their business'. In the industrial relations area, for example, the introduction of new plant will gradually result in the traditional skills and experience of those in the industry being replaced by the ability to operate and understand mechanical and electronic processes. Capital intensive plant - by definition - will need less men to operate it and this may mean redundancies. The Cameron Report, for example, refers to:

> " ..... a unit known as the Photon 901 which produces film-set type, can produce photo-type, it is creditably reported, at a rate equivalent to the output of 200 linotype operators" (93)

The industrial relations problems in overcoming restrictive practices, establishing manning needs and agreeing rates of pay for the new equipment, as well as negotiating productivity bargains, will call for either a personnel specialist or at least some training in this area for the line managers concerned. As profits will depend upon high utilisation of capital intensive plant, marketing personnel (or, at least, a marketing orientation among senior management) will assume considerable importance. As Brech points out:

> "Within ten years the industry may be using most of its effort in creating or developing orders rather than in carrying out orders that have come to it" (94)

Most of the technological developments which have been adopted in the industry are still, in the main, operated by craftsmen and there is an almost complete absence of technicians in printing. The whole question of craft training will undoubtedly benefit from critical examination by the Printing and Publishing Industry Training Board. Similarly, there are few technologists to be found in the industry (a total of 1,060 in May 1968) and, if the best advantage is to be taken of technical developments, it is likely that their numbers will have to be greatly expanded. In other words, boundary roles in printing firms - marketing, industrial relations, research and development - all of which are practically non-existent in the industry at the present time, are to become far more important if the industry is going to be successful in adapting to change.

It has been estimated(95) that reading is some four times faster than listening. It also has the advantages of allowing the reader to be highly selective - to skim the pages for what interests him, or to re-read difficult passages. Stinchcombe has pointed out that:

> "Alternative ways of doing things come to the attention of prospective innovators more rapidly and cheaply through print than any other way" (96)

The future of the printed word should, therefore, be secure. As Desmond King-Hele has written:

> "If book production moves with the times instead of becoming fossilized, books will probably still have a prominent place in most libraries in the year 2,000, though obliged to share the shelf space with computor input data - tapes, cards and the like" (97)

An example of how successful the industry can be in adjusting to change is demonstrated by the speed at which a recent Penguin Special[98] on the journey to the moon was produced. The last of typescript, it is reported in the New Society[99] reached the printers on 1st August and the paperback was published on 5th August. The nature of this achievement is best judged by the reference to book printing in the Report of the Economic Development Committee for the industry on the import and export of print which said:

> "Nine months is said to be an average time for a book today, compared with three months before the war" (100)

The Report mentions that Continental printers can often meet the three month period and British book printers will clearly have to move in this direction if they are to be able to compete.

Printing, therefore, appears to be an almost classic case of an industry undergoing rapid social, economic and technological change and where resistance from both employers and trade unions to such changes is considerable. As it consists very largely of family firms, it would seem to be an ideal field in which to examine the ways in which the family firm is capable of adjustment to rapid change.

SUMMARY

Printing plays an important part in most people's lives: it was described by John F. Kennedy as:

> "A human achievement that has demonstrated far greater power to shape the world than all the forces of modern weaponry" (101)

It is an industry which has developed over centuries and its customs, values and traditions tend to reflect its long history. Technical development has been gradual and the rate of adopting technological advances slow, with the result that although highly advanced plant is available at the present time, most printers use equipment similar to that used for hundreds of years. During recent years the industry has begun to face increasing competition from overseas, from firms doing their own printing and the expansion in the use of small offset machines. Until recently, printers had little market information available to them.

Although the British printing industry is highly fragmented and consists mainly of private companies - often family firms - the United Kingdom has, in fact, the largest scale of operations in Europe. Management in the industry has been the subject of considerable criticism in recent years and the industrial relations problems in printing are considerable. Generally, profits in the industry are dwindling.

There are some signs that the situation is about to improve. It is expected that during the next ten years the structure of the industry will change and that more and more firms will join together in groups and that more specialisation will take place. It is also expected that the Printing and Publishing Industry Training Board will have considerable impact in encouraging the training of managers, technicians and craftsmen.

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PART 4

SIX FAMILY FIRMS

This part will be concerned with the six firms selected by the writer to portray an entrepreneurial firm and something of the range of organisations found under family control in the British printing industry. Chapter VII will contain a brief description of the firms visited, Chapter VIII will examine some of the comparative data obtained, and Chapter IX will discuss the ways in which these companies are coping with the demands of change.

Although these studies do give insight into the problems faced by family businesses in the printing industry at the present time, they are not case studies in the usual sense. The data obtained was collected for a larger-scale comparative study concentrating on organisation and leadership style in fifty firms in two industries. Interviews were restricted to the management teams of the firms concerned (i.e. it was not possible to include interviews with shop floor employees) and detailed information which would have been sought for case study purposes (e.g. future plans) was not sought.

CHAPTER VII

THE COMPANIES CONCERNED

The descriptions which follow give some general background information on the firms included in the study which range from an entrepreneurial-type firm to an old-established third-generation family firm first set up in 1775. In addition to attempting to give the reader some idea of their general character, they also include brief descriptions of the personalities and leadership styles of the chief executives concerned. It is difficult to describe an organisation – however small – within the compass of a few pages, but it is hoped that sufficient detail is given to show how diverse are family firms in the British printing industry.

COUNTRY PRINTERS LIMITED

It was suggested in Chapter I (page 15) that in many ways the entrepreneurial firm can be seen as a stage of organisation prior to the family company. Country Printers provides an example of such an entrepreneurial-type firm. It was first set up in 1946 in the centre of a country town situated about one hundred miles from London. Control of the business changed hands five years later and again in 1961 when it was taken over by its present owner, David Farmery, who – at that time – was in his thirties. During the first seven years that Mr. Farmery was managing director of this company the profits rose from £8,000 in 1961 to £80,000 in 1968. As it was believed that much of the success of this enterprise could be attributed to the leadership provided by the chief executive, some details of his background may be of interest.

Mr. Farmery was the son of a clergyman. After obtaining his degree he joined a large industrial concern as a trainee but, as he did not find this role satisfying,

he left in order to become a schoolmaster. He then spent nine years teaching - first at a secondary modern school and later at two well known public schools - during which time he specialised in taking remedial classes. Mr. Farmery described his career as a schoolmaster as: "the happiest nine years of my life". After nine years, however, the challenge provided began to diminish and he decided to return to industry. He told the writer that it was his ambition at that time to gain control of a company with a mediocre performance and to develop it to a stage where it made £100,000 profit a year within nine years.

He joined Country Printers in 1960 dealing mainly with sales, but spent much of his time learning about the industry. When the chief executive decided to sell the business the following year, Mr. Farmery persuaded some partners to join him in obtaining control and he became managing director. He then embarked upon a thorough analysis of the firm's activities and found it was not operating as profitably as had been thought. He decided that because of comparative labour costs and the high labour content involved, a potentially profitable activity for the company would be the setting of type for the American market and he decided to launch a sales campaign in the United States. On his first two visits to America he obtained no orders (his financial situation at the time was such that he used to have a bar of chocolate in his hotel room because he could not afford the price of dinner) but, on the third occasion, he was successful in getting some work. The number of orders from the USA grew so rapidly that within four years, 97 per cent of the work carried out by Country Printers came from the American market.

By 1968 when the study of Country Printers took place, the firm did relatively little printing as such (they did print some university examination papers) and was

mainly concerned with complicated mathematical typesetting. (Proofs were run off and sent by post to America where they were used to prepare plates for printing by the litho process.) These developments involved the company in purchasing new plant, building a new factory (in 1966) and recruiting more personnel. It also set up a research and development unit in conjunction with another printing company. By 1968, it had a turnover of £300,000 and employed 146 people. (During the period 1961-1968, Mr. Farmery also acquired control of three other companies in the United Kingdom and some overseas interests: the combined profits of these businesses were such that he comfortably exceeded his ambition to reach the £100,000 profit level in nine years.)

As was described in Part 3, printing is an industry where a great sense of tradition prevails and few firms appear to experience rapid growth. Nevertheless, within five years of David Farmery becoming managing director of Country Printers, not only had there been changes in the markets in which the firm operated, new plant purchased and a move taken place into a spacious, pleasant, purpose-built factory, there had also been far reaching changes in what Mr. Farmery termed the "management philosophy of the business". For example, managers were expected to be at their desks by 8 a.m. each morning and to leave after everyone else. Unlike the other firms included in this small sample, the financial objectives of this business were quite specific, i.e. "to achieve rapid growth and at the same time to obtain twice the rate of return on capital as the most profitable firms in the industry". That these changes were successful is perhaps demonstrated by the financial performance of the company. In 1968 its turnover was 68 per cent higher than it had been in 1964 and it was achieving a 27 per cent profit on turnover and 33.5 per cent profit on capital employed. These results are particularly impressive

as they were achieved with a management team which had been employed by the company before Mr. Farmery became chief executive. (He explained to the writer that one of the problems during the period of rapid growth was that the company "had not been able to afford anyone earning more than £2,000 p.a."). Three of the twelve people interviewed had continued their education beyond the age of sixteen but, apart from David Farmery, none held advanced professional or academic qualifications. Nine 'managers' in this sample had completed a craft apprenticeship but, unusually, none of those seen were following a family tradition in joining either the firm or the industry. Although he had been impressed by the performance of the managers already employed, the chief executive did intend to strengthen his management team by recruiting some able 'outsiders'. There would in any case be no question of Mr Farmery's children joining the firm at this stage because they were too young.

The management style adopted differed in many ways from that found in other companies in this sample. The managing director had set up a holding company (to control Country Printers and his other interests) and spent much of his time on its affairs, leaving the day-to-day running of the business in the hands of the works director. The latter was required to agree budgets with the holding company which each month supplied all managers in the firm with data on financial performance. (If the firm exceeded its profit target for the year, 50 per cent of the additional profit was given to the works director.) Provided that managers were meeting their budgets they were given very considerable autonomy in running their departments, which certainly resulted in those concerned feeling that they were consulted about problems and not subject to autocratic control. Attitudes expressed towards the firm by those interviewed varied considerably. On the one hand, for example, they were proud of the achievements of Country Printers during the past decade but, on the other hand, they complained that the pressure of work was sometimes

considerable and undoubtedly many of those concerned had worked very hard over the years to achieve the results obtained. Similar ambivalence was found in the remarks made about the chief executive, e.g. "D.E.F. not an easy chap to live with, but bloody good - that's the main thing". (David Farmery was invariably referred to by his initials by members of the management team.) Respondents considered that they were judged by results and believed that they would be replaced if they failed to achieve their targets. This emphasis on performance rather than on social acceptability was clearly demonstrated by a remark of the works director, e.g. "What do we want here, a lot of nice people or people good at their jobs? A lot of the present staff are difficult people to work with but they get the job done".

The attitudes of the two most senior people in the firm - the chief executive and the works director - were much more positive than the remainder of the management team. The former were extremely enthusiastic when talking about Country Printers and it was evident that its affairs occupied an important place in their lives. The remainder of the management team, however, tended to regard their jobs as jobs and did not identify themselves with the company in the same way. (In Etzioni's terms, the former had 'moral' commitment, the latter 'calculative'.) When this was discussed with the chief executive, he agreed that this was the case. He explained that his direct subordinates in all his companies did more than work for him - "they married the company" and he was attempting to obtain similar commitment from the remainder of the management teams concerned.

Country Printers, therefore, provides an example of growth and high profitability in a relatively stable industry. The company - described by its

chief executive as "tough as nails" - certainly differed in many respects from the other companies to be described.

LONDON PRINTERS LIMITED

London Printers Ltd. is typical of the small family firm largely run by members of the family owning the business. Formed in London in 1873, it was originally concerned with making paper bags when Richard Turner (father of the present joint managing directors) joined it as a salesman in 1900. Shortly after this time, his wife acquired some capital and obtained a partnership for him in this concern. The original founder of the company retired in 1914 and Richard Turner and his wife then bought his shares and, since that time, the firm has been wholly owned by the Turner family. London Printers became a general jobbing printing house in 1914. During the First World War, the owner's sons, Stephen and Rodney, joined the business: Stephen concentrated on 'running the factory' and Rodney became 'responsible for sales and administration'. In 1933 the firm became a private limited company. Rodney Turner was 'pushed out' by the other members of the family in 1938 and started up another printing firm of his own. He remained a director of London Printers, however, and both he and his son were shareholders. When Rodney Turner left the firm his place was taken by another brother, Michael. Their premises were acquired by a compulsory purchase order in 1960 and they moved to a pleasant new purpose-built factory at that time. They used both the litho and letterpress processes (their turnover being almost equally divided between the two) and carried out a very wide range of work. In 1968, the firm employed 38 people and its turnover was £150,000.

The management of the business was almost entirely in the hands of members of the Turner family. Stephen Turner (in his sixties) was joint managing director (production); Michael Turner (also in his sixties) was joint managing director (sales and administration); Stephen Turner's sons, Robert and David (both in their thirties) were works and sales directors respectively. Apart from their national service, both the latter had spent their entire working lives with the company. Other management posts were filled by people with long service in the firm. None of those interviewed had continued their full time education beyond the age of sixteen, and none of them held any advanced professional or academic qualifications. Three respondents had completed a craft apprenticeship and six out of the nine were following a family tradition in joining the industry.

Unlike Country Printers, this firm had no desire to grow. They prided themselves on the personal nature of the service they offered and as one of the joint managing directors remarked: "The bigger you get, the more difficult it becomes". A younger member of the Turner family was more explicit:

> "We've no future plans. Stephen and Michael have done all they can. If we get bigger, only get more responsibility - no better standard of living. Not our aim to have fourteen-roomed mansions and to own Bentleys. Natural growth of 7½ per cent - 10 per cent in sales will be satisfactory. Security is what I've aimed at - home, wife and car - and have achieved this"

Apart from a restriction on paper sizes, the firm had no marketing or sales strategy. As a joint managing director said:

> "No definite plans - we play it all by ear. Really depends on customers - we're at their beck and call. Have to alter our mode of work to what they give us"

In fact, the quality of service provided and geographical location of the firm - near the offices of major print buyers - would seem to make the future of this concern

relatively secure for some years to come. The main source of competition likely to be met will be from small offset machines that many organisations now use to carry out some of their own printing operations.

The management system in the firm was rudimentary. Status quite clearly came from being a member of the Turner family and non-family members in management roles felt that anything other than minor decisions "were best left to the governors". This sometimes caused problems because employees were uncertain whom they should approach to deal with matters which arose. As one explained:

> "Directors all give instructions and all have different jobs they want done. Makes it difficult to co-ordinate everything to come out on time"

In many ways the firm could be viewed as an extension of the Turner family. Control was largely informal in nature. When employees worked overtime, for example, they booked their own time. Shop floor employees were paid well above union rates for the area and had almost unlimited opportunities to work overtime - in return they did not quibble about demarcation. People in the firm spoke highly of the Turners and were very happy to work for them. Members of the Turner family were regularly to be found operating machines on the shop floor, or helping to pack orders required urgently. This degree of involvement on their part probably helped to remove the sense of social distance found between owners and employees in some of the other firms studied.

A problem facing the company was the position of Rodney Turner ('pushed out' of the firm in 1938) on the board of the company. As a director explained:

> "Often suggest we liquidate and buy him out which would cost us one-third of our value. As it is, there is always an underlying feeling of distrust and hatred"

One might assume, therefore, that board meetings might sometimes be far from peaceful occasions, particularly if the executive directors wished to pursue policies not approved by the 'outside' member of the board.

The financial results of the company were generally not impressive. It had achieved an annual growth rate of about 8 per cent and its rate of return on turnover was nearly 6 per cent. On the other hand its profit on capital employed was at a very high level for the printing industry ranging from 25.8 per cent in 1964 to 33.9 per cent in 1968 - but this can be explained by the relatively low amounts of capital employed per employee (£705) and the high utilisation obtained by the use of regular overtime and weekend working.

London Printers Ltd., therefore, may be seen as a business enterprise whose main aim was to provide a way of life for its owners, who were determined not to seek further growth. Its continued existence rests on the high standard of service it provides and the willing co-operation it obtains from its workforce.

MIDLAND PRINTERS LIMITED

This private family business was originally formed in a major town in the Midlands in 1903 by the grandfather of the present managing director. Before the First World War the firm had been a pioneer in letterpress colour work, and was said to have been reasonably successful over the years until its factory was completely demolished by enemy action in 1940. It continued on a limited scale (with 16 employees) during the Second World War and started to expand again when the chief executive and his brother completed their war service in 1946. The two brothers acted as joint managing directors (one concerned with sales and

accounts, the other with production) until one of them "got fed up with commercial life in the mid 50's and went off to dairy farm in New Zealand".

Roy Stockham, who became managing director when his brother emigrated, was in his fifties at the time the study took place. He had been educated at a public school, completed two years as a premium apprentice at another printing company and a similar period as a full-time student at the London College of Printing. He had then joined the family business and after some time assisting the works manager, company secretary and other managers, became a salesman. He was made sales director in 1937 and appointed joint managing director in 1946. Mr. Stockham was a magistrate and held a number of offices in committees concerned with the printing industry.

Midland Printers moved to a new purpose-built factory on an estate some distance from the centre of the town in 1960. This was an impressive building with plate glass windows, reserved parking spaces alongside the entrance and a well-designed and attractive reception area. At the time of the study the factory was in the process of changing over from letterpress to litho and mainly carried out general commercial printing. Most of the work obtained was of a local nature and was connected with the motor industry - in 1968 one major motor company provided nearly 20 per cent of the sales. The firm was anxious to extend its market from the purely local one and to this end had taken over a design studio and opened an office in London. In 1968 the turnover of Midland Printers was £320,000 and it employed 115 people.

About half the management team of this company had completed their full time education by fifteen years of age and the highest qualification held by anyone

was the intermediate examination of a professional institution. Fifteen of the nineteen people interviewed had been with the firm for more than five years - six of them for more than twenty years. They spoke highly of their employer. One respondent, for example, told the writer that he had had his salary paid for eighteen months when he had been in hospital. When he had been discharged from hospital he had been given a job in the firm although a stroke during treatment had left him in a state in which for some time he could not read, write or speak. As he said:

> "My case no exception, would have done that for anyone. Not just clock number, we're individuals here"

The expectations of the management team were certainly quite different from those of people in similar posts in Country Printers.

At Midland Printers, for example, a 'family atmosphere' prevailed. As one overseer explained:

> "I like to maintain a family relationship in this shop. If we had a first class bloke I would get rid of him if he didn't fit in"

Managers were disappointed that they did not have more dealings with Mr. Stockham. To quote one overseer:

> "Mr. Stockham's an excellent boss, but if he's around the works twice or three times a week, that's it. If he stops to speak, it's an occasion. People working here three or four years have never really spoken to him"

At the time the study took place, there were many complaints about the way in which a card which accompanied their Christmas bonus had been printed in the factory some few weeks earlier and then sent to them unsigned.

Mr. Stockham had some firm views on the question of management development. He placed no great faith in formal management education, for example, and believed that "the home grown product was the best one". He also believed that the social acceptability of people filling top management posts was of paramount importance. He intended that his daughter, or possibly his daughters, should succeed him when he retired for he believed that no one else in the firm "would be able to speak to the managing directors of large firms on equal terms". His daughter, Susan, explained the situation:

> "I have a sister who is married to a printer and we will probably become joint managing directors and the firm will work under (Company Secretary) and (Sales Director). (Company Secretary) a very clever man, but only half a brain. To be managing director you have to go down well socially - it's half the job - not only with customers, but with the Federation. (Sales Director) thorough, but not up to running the place"

The Company Secretary did, in fact, expect to become managing director and it was difficult to imagine this able man continuing in the employment of the company under the regime envisaged.

Although in some ways it was being responsive to change (e.g. the introduction of new plant), Midland Printers did not seem to be gaining any commercial advantage from this. Some respondents complained about the lack of a sense of direction:

> "I try and remember we want to make a profit. We know which way we're going, but don't know when we will get there. No clear objectives. We know we're going from letterpress to litho, but when will it happen? No long term plans and no one with the time to think about these problems. Budgeting to buy a new machine in 18 months time, but wish we could get a marketing answer to the problem"

In fact, the marketing moves of the company mainly centred on the design studio and the opening of the London Office. The latter again illustrated the 'social' nature of

the business. As Roy Stockham explained:

> "My daughter's job (i.e. at the London Office) is to make contacts at Epsom, Ascot and the right theatres. She can get into places where no young man could hope to. Has a few accounts of her own and the rest passed on to reps"

At the time the study took place, Mr. Stockham reported it was too early to judge if this development would be successful or not, but the signs were that it would work well.

The commercial performance of this firm was poor. In 1968 its turnover was only 20 per cent higher than it had been in 1964 and its profit on turnover was 1.3 per cent. These figures also illustrate the 'social' nature of the firm, for were it a public company it is doubtful if it would be able to survive for long as an organisation.

THE SCOTTISH PRESS

The Scottish Press, one of the oldest printing businesses in the country, was formed in 1775 in a Scottish city. The grandfather of the present chief executive became a partner in 1886 and, when he died in 1916, his two sons became the owners. In 1950 the firm became a private limited company and Mr. Hugh Boyle (the elder of one of the partners) became a director. The senior partner died in 1953 and Mr. Hugh Boyle was then made managing director and his brother, Mr. Dennis Boyle, became a member of the board. Another family member, one of the chief executive's sons, Mr. Stephen Boyle, joined the firm as a salesman in 1958. The firm started printing in colour in 1919 when it moved to its present spacious factory. At the time of the study the company carried out a wide range of high quality jobbing work (in particular, brochures and calendars) and the

printing of professional and scientific journals. In 1968 its turnover was £360,000 and it employed 110 people.

All the shares in the business were owned by members of the Boyle family and this situation was unlikely to change for, as Mr. Hugh Boyle explained: "I've always been taught not to give employees shares". 51 per cent of the shareholding, in fact, was held by Mr. Hugh Boyle and his wife and sons, and the remainder by Mr. Dennis Boyle and his family. The chief executive, who was in his fifties, had spent his entire working life in the industry and was a well known and respected figure in it. His brother, the sales director, had not entered the firm from school because "it was felt too much to ask uncle to take in the younger son" and went into a related industry for a short period before his war service. In 1946 he joined the firm and, after completing some 'quick training', became the sales representative in another city. He had remained in that post ever since. In addition to the chief executive and his brother, the firm had two other directors. One was the works director and the other was the director in charge of the design studios. Unless one was a member of the Boyle family, however, becoming a director really involved a change in title and not any additional responsibilities, for the board of directors apparently never met as such. As Dennis Boyle explained: "We're a happy family business, never have directors' meetings".

Twelve of the fourteen people in the management team had been employed by the company for more than five years - eight of them had more than ten years' service. Eleven respondents held formal educational qualifications (this relatively high proportion perhaps reflecting Scottish interest in education) and seven of them had completed a craft apprenticeship in the industry.

This firm was similar in some respects to both Country Printers and Midland Printers. It resembled the former, for example, in the extent to which it was dominated by its chief executive. Unlike David Farmery, however, Hugh Boyle did not simply agree his objectives with managers and leave them to carry these out; he was very much involved in the day-to-day running of the business. The pressure on him was such that he sometimes failed to inform his management team of what was going on. One manager interviewed, for example, reported that he had noticed in a trade magazine that the firm was going to hold an exhibition of their work in London but, as far as he was aware, no one in the business had been told about this. Several respondents felt that they were insufficiently informed about the chief executive's plans for the future of the firm, e.g. a director mentioned that he knew nothing about the introduction of litho until the machines arrived and, similarly, didn't know that the machines were going to be taken out until the day this occurred. (This lack of consultation on the part of the chief executive was also indicated by responses to the questions on management style in the firm, which suggested that this firm had the most autocratic management of any included in the sample.)

The Scottish Press was similar to Midland Printers in the role played by members of the family running the business and the importance attached to 'social' factors. In addition to the chief executive, two other members of the Boyle family were already employed in the firm. One had been made a director and everyone expected that the managing director's son would join the board in due course. Hugh Boyle told the writer that there was too much nepotism in the printing industry and went on to assess critically the abilities of his sons - one of whom he hoped would succeed him as managing director. He was not unaware of changes in social climate, however, and spoke of the problems associated with

bringing another Boyle into the business as senior in position to established employees. He said he had recently refused to employ his brother's son: "Couldn't afford another Boyle - would have to give him £1,000 p.a. and a car". (The father of the young man in question remarked: "If he proves himself, may not need to come into the family business".) In general, managers in the firm seemed to accept the situation where the top post in the organisation was reserved for a member of the Boyle family. They could see that it was possible for them to become directors (at least, to have the title) and the rewards paid to senior managers were said to be generous. Some junior managers, however, expressed concern at the absence of opportunities for them to receive training in management and the chief executive mentioned difficulties in recruiting young men of high calibre into the firm, so it may well be that this situation will alter in the future.

Social factors were also of importance. As the chief executive's brother explained: "It's who you know rather than what you know in this business". In some ways the members of the Boyle family seemed to have a degree of distaste for the commercial aspects of their business. Hugh Boyle, for example, would certainly resist merging with other companies for, as he said:

> "If we merge what am I - a master printer or a professional director?"

in a tone that suggested that only the former was tenable as far as he was concerned. Similarly, his son remarked:

> "If I had any sons, I would try and persuade them to become professional men and get out of this commercial rat race"

Some of the managers interviewed expressed concern at factors they believed were taken into account in decision-making. It was said, for example, that orders were

accepted or otherwise, depending on the prestige of the customer or the social contacts that the managing director had with the senior management of the organisation concerned. Similarly, it was said that priority would be given on occasions to orders for friends of the chief executive, although little profit might be attached to such work. Such feelings made the people concerned express some doubts as to what the function of the business was and what would happen when the present managing director retired.

In point of fact the future of the Scottish Press seemed assured for some years because of its reputation and high quality work, although in the future it may face severe competition from firms taking more advantage of technological advances. The managing director was aware of problems facing the industry, however, and was taking several measures to ensure that the firm continued to be successful. Rotary letterpress had been introduced in 1963 and considerable amounts had been spent on purchasing new flat-bed letterpress machines since that date. The firm had also introduced litho, but with another company had subsequently set up another firm to carry out litho printing. Mr. Boyle believed that the firm had too much business tied up with too few customers and said that he was trying to obtain a wider range of business. To this end he had recently commissioned a firm of consultants to look at the market and potential markets the firm could serve. The reputation of the firm, however, was such than an aggressive sales approach was hardly required. 80 per cent of the work the firm carried out came in by mail and 70 per cent of this was not quoted for. One was told by all concerned that the company was scrupulously honest in costing work that had not been quoted for and the quality of the printing carried out was undoubtedly very high.

Hugh Boyle explained to the writer that he disliked paying taxes on any profits and where possible used them to reward the key employees of his firm by giving them bonuses. He appreciated that they would have to pay income tax on such sums, but this level of taxation would be lower than he would have to pay if such monies were declared as profits. Consequently, the financial performance of the company was difficult to evaluate. The figures obtained, however, showed an annual average of 10 per cent increase on turnover over the past five years, and a profit on turnover ranging from 4 per cent to 9 per cent.

The Scottish Press provided an interesting example of an old-established family business where the prime emphasis was on the quality of work undertaken and where the chief executive held an important place in both the local community and industry. The managing director was not unaware of contemporary changes, however, even though the Scottish Press was largely protected from them by the reputation of its work and the various close personal links the chief executive had with his customers. It had made a few token steps on the road towards becoming a more bureaucratic organisation (e.g. appointing non-family members to the board) but in many respects remained a traditional family firm.

ROYAL PRINTERS LIMITED

This private family business was started in a town about fifty miles from London in 1860. It moved to its present location in 1919 and although the premises were extended in 1935, the layout of the factory on three floors and the use of a variety of outbuildings made it unsuitable for printing operations. Its unsuitability became acute some years ago when the company was denied access to the main road from one entrance of the factory, thus necessitating considerable internal handling of despatch

parcels. Royal Printers were involved in producing scientific and technical journals, small circulation magazines, point-of-sale literature and general jobbing work. In 1968 its turnover was £350,000 and it employed 160 people.

The chief executive, John Mahoney, was a nephew of the previous chairman and a grandson of the founder of the company. At the time the study took place he was in his forties. Mr. Mahoney had been educated at a public school and had joined the firm after completing 'a short form of student apprenticeship' in the industry. He became a director of the company in 1964, but did not expect to become managing director as he had always been led to believe that his cousin (the son of the then managing director) would take over that role in due course. In fact, his cousin did become chief executive, but his somewhat exotic personal life began to interfere with his work and Mr. Mahoney decided to look for a career elsewhere. He was offered a senior post in another printing firm but, before he took up this appointment, his uncle (who had become the chairman of the company) asked to see him and demanded to be told about his son's behaviour. As a result of that interview, Mr. Mahoney became managing director of Royal Printers Ltd. and two years later was made chairman of the company as well. In public life John Mahoney was very active. He was a governor of his old school and a college of art, served on the local council, was a deacon in his church and was also an active member of the British Federation of Master Printers.

Mr. Mahoney was proud of his firm and its history. In his office he kept a magnificent leather bound volume which, as it stated: "recorded a century of achievement and conscientious family trading". The managing director told the writer that he considered the business as a trust in two ways. He had responsibility to the shareholders and to the employees. As he said, there were not many of the

former and the latter "could walk around the corner at any time". Nevertheless, he believed that the people who were concerned with the firm were of great importance and he did much to ensure that all were reasonably treated. One shareholder, however, an uncle living in South Africa, wished to dispose of his shareholding as the devaluation of the pound had reduced the value of his pension, and this had stimulated Mr. Mahoney to appraise critically the future of Royal Printers Limited. He believed that there would always be a place for the general printer but, on the other hand, as he knew from recent experiences, mergers in other industries could result in a printer losing a large proportion of his turnover overnight. Generally he believed that the Brech Report on the industry was correct in saying that firms of their size were vulnerable and he considered that the future of the business probably lay in joining a group.

During his period as chief executive, Mr. Mahoney had taken several measures to try and improve the performance of the company. The range of work undertaken at both ends of the scale had been reduced by no longer accepting orders for books or visiting cards. Attempts had been made to reduce the number of orders which only involved a part of the factory (in particular, work which did not involve any binding). A litho unit had been purchased in 1961 in order to acquire expertise in this process so that it might be developed in the firm. As he was anxious to overcome some of the problems involved in the layout of the main factory, in 1963 he had decided to look around for an entirely new factory which would permit a more efficient work flow. Before he could make any decision on this matter, however, he had to discuss the future of the existing factory with the planning authorities and after a year of discussions he was told that no decision would be forthcoming on the future of the site of the existing factory for two years.

Eventually, planning permission was given for offices to be built on that site but, by then, it was a less propitious time in which to sell. It was, however, intended to move to another location within a year. It was planned that this new factory, which would be on a trading estate outside the town, would develop mainly on the litho side.

The two other executive directors at the main factory - the works director and the purchasing and pricing director - were both men who had joined the firm as office boys. The managing director had suffered ill health during recent years and consequently delegated as much work as possible. Most of his previous responsibilities had been taken over by his brother, Paul Mahoney (an ex-naval commander who had joined the firm when he retired from the Royal Navy in 1958). Although officially designated as "Assistant to the Managing Director and Sales Manager" and not a director (if he had been made a board member this would have made Royal Printers a 'director-controlled' company and Inland Revenue regulations would then not allow directors to be members of the superannuation scheme), Paul Mahoney was clearly seen as being senior to everyone in the firm, apart from the chief executive. As one director explained:

> "Difficulties here about superiors. Mr. X clearly my superior because of seniority. Mr. Paul not a director or officially over me, but because he's family he's my superior. In public company all in boxes and you know what you have to do. Paul and I overlap - it's the set-up here - you can't put it in boxes. Probably confusing for others underneath - 'though try to keep lines clear. Be all right if Paul was a director, but he's family so it's clear for me"

The implications of this attitude were considerable. As long as the Mahoney family provided an ample number of members with the interest and ability to fill top management posts - and managers in the firm continued to accept this situation - the firm might continue in its present manner. However, if the family owning the

business failed to produce members competent to fill - or be interested in - top management posts, then in such an organisation where family membership was seen as a more legitimate source of authority than formal position, difficulties would almost certainly occur.

John Mahoney said that he was anxious to improve the calibre of management in the firm. In the past, overseers had always been appointed from the shop floor. After he had been chief executive two years he had told everyone concerned that overseers would be designated "Departmental Managers" and all vacancies for such posts should be advertised both within and outside the firm. Candidates already employed by the company would be given an equal chance to compete with applicants from outside, but the most suitable candidates would be appointed regardless of whether or not they were already employees. Since that time, two managers had been appointed from outside the company and one from within. Thirteen of the twenty-one managers interviewed had been with the firm for more than five years - five for more than twenty.

There were some signs that managers in the firm were not altogether happy in the lead provided by top management. In response to the questions on management style, for example, seven respondents said they preferred the autocratic management style although they did not find this style practised in the company. Five people complained that management in the firm was 'top heavy' and that in a larger firm more ruthless measures would have been taken to get rid of 'passengers'. One manager compared the position of Royal Printers with a larger firm. Here, he said, we have two brothers who nobody could get rid of even if they wanted to. There were also indications that some managers were less ready to accept members of the family joining the business and reducing their career opportunities. As one

explained:

> "Naturally I'm against hereditary interest. I'm watching John's son - now 17 - he will probably go into printing because of family reasons. Don't like untrained people going into management for family reasons. Been difficult in printing to train as a manager up to now"

Two people also complained that excessive attention was paid to family heritage, that the firm was too paternalistic and they believed that the days of addressing people as "Mr. John" and "Mr. Paul" were over. Nevertheless, in general those interviewed expressed a preference for working in a family business.

The financial performance of this firm was poor. Its turnover in 1968 was only 22 per cent higher than it had been in 1964 and its rate of return on turnover ranged from 1.4 per cent to 4.5 per cent. They hoped that these results would improve after the move to the new factory had taken place.

Thus Royal Printers was an example of a firm where the chief executive saw the business as a trust and one in which employees were 'looked after'. Although it had made some attempts to improve its low rate of growth and profitability by planning a new factory, buying another unit and widening its recruitment for junior (but not senior) management posts, these measures had not achieved much success at the time of the study.

JACKSONS LIMITED

This was a private family concern originally formed in a west country town by the great grandfather of the present managing director in 1854. At first the company was mainly concerned with publishing and in 1920 the publishing part of the business moved to London. After the move the company did not fare well and

in 1937, when the chief executive died, the publishing side of the firm returned to the west country premises occupied by the printing factory. Some years before he died (in 1929) the managing director brought in his cousin, Mr. Peter Jackson, as chairman and during the period 1937 - 1947 this gentleman had also acted as chief executive. In 1947 the son of the previous chief executive, Mr. Francis Jackson, joined the business as sales director. In that year the company decided to sell its publishing interests and to concentrate on printing. In 1953 the firm moved from its cramped factory which occupied a five-storey Victorian building in the town centre to new premises on the perimeter. The factory was contained in a somewhat ugly, single-storey building with offices contained in huts alongside it. The entire conglomeration was surrounded by a wire fence and looked far from attractive when viewed from the road. Over the years the firm had done more and more book printing and in 1956 had started to specialise in mathematical typesetting - at the time of the study, although mainly engaged in these activities, it also carried out some general printing.

All the shares in the business were held by members of the Jackson family. The chairman, Peter Jackson (who had ceased to be the chief executive when his cousin, the sales director, had assumed that role in 1948) and the managing director, Francis Jackson, held 50 per cent of the shares between them and their children held the remainder. In 1968 the turnover of the company was £620,000 and it employed 220 people.

The managing director, who was in his forties, had been educated at a public school and was a university graduate. He was particularly interested in the problems facing employees. He told the writer of the conflicts which sometimes occurred between looking after the interests of his employees and providing efficient service

to customers. (Some respondents spoke with some apprehension of the "very independent" letters that the chief executive sometimes wrote to customers.) He believed that as a private family business it was much easier to involve people in it and considered that if his factory was a unit of a large corporation he would need to adopt a more autocratic approach. It certainly appeared from comments made that many managers felt that he and other senior managers were indulgent in their dealings with employees. Most production managers, for example, were reluctant to take a firm stand on any issue because they felt they would not be supported by top management. Junior managers were also loath to be positive in their dealings with the unions, for as one explained: "Most people in the works shudder when union problems go to director level". Top management in this firm certainly did generally seem to favour a more persuasive/consultative approach - as one said:

> "Technological changes taking place in this industry mean that the autocratic approach is going to be an ignorant one - there's going to be a need for consultation"

Jacksons had a tradition of being a family firm not only in the usual sense, but also in the sense that several families had generations of their members working in it. The works manager, for example, had followed his father into that post and his son, in turn, was employed as an overseer. It was undergoing changes, however, in some respects. Most managers had been promoted from within the company (eleven of the seventeen people interviewed had been with Jacksons for more than five years and nine of them for more than ten) but some 'outsiders' had been recruited in recent years and there was an interesting ambivalence towards them. Some regarded the infusion of outsiders as being most necessary, whilst others saw their entry as causing or symbolising a breakdown of the family spirit in the firm. Generally, employees believed that as the firm was a family business, life in it was considerably easier than

it would be elsewhere. Typical comments by managers were:

> "One of my reasons for liking this firm is not being compelled to develop ulcers. One can pause before moving on"

> "Life might be a bit tougher if the M.D. was not independent - he does not concentrate on trifles"

Although he was very interested in the business, Francis Jackson explained to the writer:

> "Feel it stupid to be sentimental about it - have a son but wouldn't force him to follow me. Peter and I would sell the business gladly at retiring age"

In fact, at one stage he had thought of selling the business and had discussed this proposition with the overseers.

Francis Jackson did not share the general pessimism of many in the printing industry about the future of the medium sized firm. He said that it was easier to get finance for developments than it had ever been and cited his dealings with various finance houses when the company had first brought in litho.

The firm seemed to be flexible in meeting changes and over the years several had taken place. In 1960 the sales director had visited the United States on a sales campaign and had been very successful in obtaining orders. Two years later the sales manager had spent a year in America in order to make regular calls on potential customers and was successful in obtaining further orders. (The person appointed to succeed him as the American representative of the firm, however, was not successful in that role and this post was vacant at the time the study took place.) In 1963 the firm introduced filmsetting which, it was claimed, had several advantages over the use of hot metal for the setting of mathematical texts. The last development to date took place in 1965 when the firm had introduced some litho

machines. (At the time of the study, Jacksons were investigating the possibilities of introducing computer-assisted typesetting whose hire they estimated would cost about £14,000 p.a.) It was also one of the few firms in the printing industry to have a research manager and much of the time of the works director was also spent in evaluating technological developments and their potential application to the firm.

The firm was unique amongst those visited in the importance that top management paid to employees as individuals. When filmsetting was introduced, for example, the managing director had arranged for a film giving details of this process to be shown to all interested. Although this event had taken place outside normal working hours, it resulted: "in more people turning up than to the Chapel A.G.M." Although some respondents were uncertain about their future because of the rate of technical change in the firm, most were confident that any training necessary to operate new plant would be provided by the firm. The interest of top management in employees was reciprocated by the considerable loyalty to Jacksons expressed by members of management and supervision. As one said: "Would go through thick and thin for them if necessary".

The financial performance of this company was impressive. It had increased its turnover by 60 per cent in the five year period before the study took place and its profit on turnover in 1968 was over 13 per cent.

Although utilising some of the more recent technological developments in printing and serving new markets, Jacksons was a firm which had managed to retain much of its family atmosphere and, at the same time, to be commercially successful. It differed markedly from the previous three firms described in the attention it paid to adopting technical developments and in the absence of a sense of social distance between the chief executive and the members of his management team.

CHAPTER VIII

ANALYSIS OF DATA OBTAINED

Although the six firms described in the last chapter were all located within the printing industry and all were privately-owned companies, they were also examples of enterprises at various stages of development. They differed in a number of other respects. Some were growing, while others were stagnant; some were profitable, others were doing little more than breaking even. Some had a high level of commitment amongst their management teams, others did not. To try and discern some of the reasons for these differences, it was decided to classify them according to their stage of development and to examine any consequences of this for their functioning as organisations.

For this purpose, a simple taxonomy of three developmental stages has been used, viz:

1. Entrepreneurial
2. Traditional family firms (i.e. those which had continued under family control after the first generation)
3. More bureaucratic concerns

(This taxonomy does not imply that all stage 1 firms will pass through stage 2; it is possible to skip a stage or indeed to be arrested on stage 1 or 2.)

In attempting to determine the stage of development reached by the six firms described, seven measures were adopted. These were by no means statistical measures, but were intended to add some weight to the insights gained during interviews.

The seven measures of development adopted were as follows:

1. Number of family members employed in the business

It was expected that the number of family members employed in the business would be relatively high in the traditional family firm, but would be at a lower level in both the entrepreneurial and more bureaucratic concerns.

2. Recruitment of 'outsiders' to fill senior management posts

It was expected that in traditional family firms, family members or long-established employees would be selected for senior appointments. The extent to which 'outsiders' were recruited for senior posts, therefore, was taken as a measure of bureaucratisation.

3. Proportion of respondents who have (or have had) a father or uncle employed in the firm or in the industry

It was considered that in traditional family firms relatively high proportions of respondents would have followed a close male relative into the firm or industry, but that the proportions would be lower in other types of organisation.

4. Confusion of the chain of command

It was expected that the chain of command would be clear in the entrepreneurial concern and in the more bureaucratic organisations. It was anticipated that the greatest degree of confusion would arise in family firms, particularly in those undergoing early stages of bureaucratisation where family and organisational roles might conflict. (This measure was calculated by taking the total number of misperceptions of the chain of command in any one firm and expressing these as a percentage of the total possible number of superior/subordinate relationships which is given by the formula $2(n-1)$, ((provided that no one has more than one boss)).)

5. Proportion of respondents reporting contact with the chief executive

Weinshall suggests that in the entrepreneurial-type organisation the chief executive would communicate with every manager, but in more formal structures this would be less likely to occur.(1) It was assumed, therefore, that firms where a high proportion of respondents nominated the chief executive as a regular communication contact, would tend to be either traditional family firms or be entrepreneurial in nature (i.e. in the more bureaucratic concern the chief executive would be expected to have relatively few communication contacts).

6. Proportion of respondents with regular customer contacts

The proportion of respondents who claimed to have dealings with customers on average two or three times a week. It was hypothesised that in the entrepreneurial firm the entrepreneur would tend to deal with customers himself and that in the more bureaucratic concerns roles would be specified for this task. The largest proportions of respondents with regular customer contacts should be found in traditional family firms.

7. Proportion of respondents employed by the firm for more than five years

It was hypothesised that a traditional family firm would tend to have a larger proportion of employees employed for more than five years than either an entrepreneurial or a more bureaucratic concern.

Summary of Quantitative Measures

The results obtained in respect of these measures are shown in Table 1. (The percentages shown for London Printers Ltd. and Country Printers Ltd. are based on very small samples.)

Table 1: MEASURES OF ORGANISATIONAL DEVELOPMENT

COMPANY (number of employees shown in brackets)	1 No. of family members employed in firm	2 Recruitment of 'outsiders' for senior posts	3 Proportion of respondents following father/uncle into firm or industry			4 Confusion of chain of command	5 Proportion of respondents reporting contact with chief executive	6 Proportion of respondents with regular customer contact	7 Proportion of respondents employed more than 5 years
			Firm	Industry	Total				
COUNTRY PRINTERS (146)	1	NO	N I L		(5)	25.0 (5)	90 (2)	45 (6)	83 (3)
LONDON PRINTERS (38)	4	NO	44	22	66 (1)	107.1 (1)	* 100 * 88 (1)	100 (1)	89 (1)
MIDLAND PRINTERS (115)	2	YES	16	11	27 (3)	63.0 (2)	44 (5)	95 (2)	79 (4)
SCOTTISH PRESS (110)	3	NO	21	14	35 (2)	34.6 (3)	77 (3)	86 (3)	86 (2)
ROYAL PRINTERS (130)	2	NO	14	10	24 (4)	20.0 (6)	30 (6)	52 (5)	62 (6)
JACKSONS LIMITED (220)	2	YES	12	12	24 (4)	30.3 (4)	73 (4)	68 (4)	65 (5)

* Joint Managing Directors

From these measures the following tentative conclusions may be drawn.

Country Printers Limited can be seen as an entrepreneurial concern. The chief executive had no relations employed in the business and no respondents were following a family tradition in joining the firm or indeed the industry. The chain of command was clear to all concerned and a high proportion of respondents nominated the chief executive as a communication contact. On the other hand, a relatively small proportion (45 per cent) of those interviewed reported having regular contact with customers. It differed from more bureaucratic concerns in that it did not recruit 'outsiders' to fill senior posts.

London Printers Limited emerged as a typical small traditional family business. Four members of the family owning the concern worked in it and six of the nine people interviewed were following a family tradition in joining the firm. Although it was the smallest firm in the sample, it can be seen that it had the highest degree of confusion regarding the chain of command. As was noted during fieldwork in the company, London Printers was run by all members of the Turner family and it did not seem to matter which member employees approached for a decision. In the almost complete absence of any organisation, therefore, it was not surprising that all those interviewed claimed to have regular contact with customers and nearly all claimed to have regular communication with the joint managing directors.

Midland Printers Limited may also be seen as being very much a family firm. Two members of the Stockham family were employed in it and 27 per cent of respondents were following a family tradition in joining the firm or the industry. The chain of command in this organisation was confused and 95 per cent of those interviewed claimed to have regular contact with customers of the firm. Although it had made

two senior appointments from outside the firm, this was largely because family members were not available to fill these posts.

The Scottish Press From the results shown in Table 1, it can be seen that the Scottish Press also had many of the characteristics of the traditional family firm. It employed three members of the family owning the business, for example, and a third of the management team was following a family tradition in entering the firm or the industry. On the other hand, confusion regarding the chain of command was far less than at both London Printers and Midland Printers. Similarly, it had (at least, nominally) appointed non-family members as directors and the proportion of respondents who dealt with customers was somewhat less than in the more traditional family firms. The Scottish Press may be regarded, therefore, as a company which had taken some steps towards becoming a more formalised business concern.

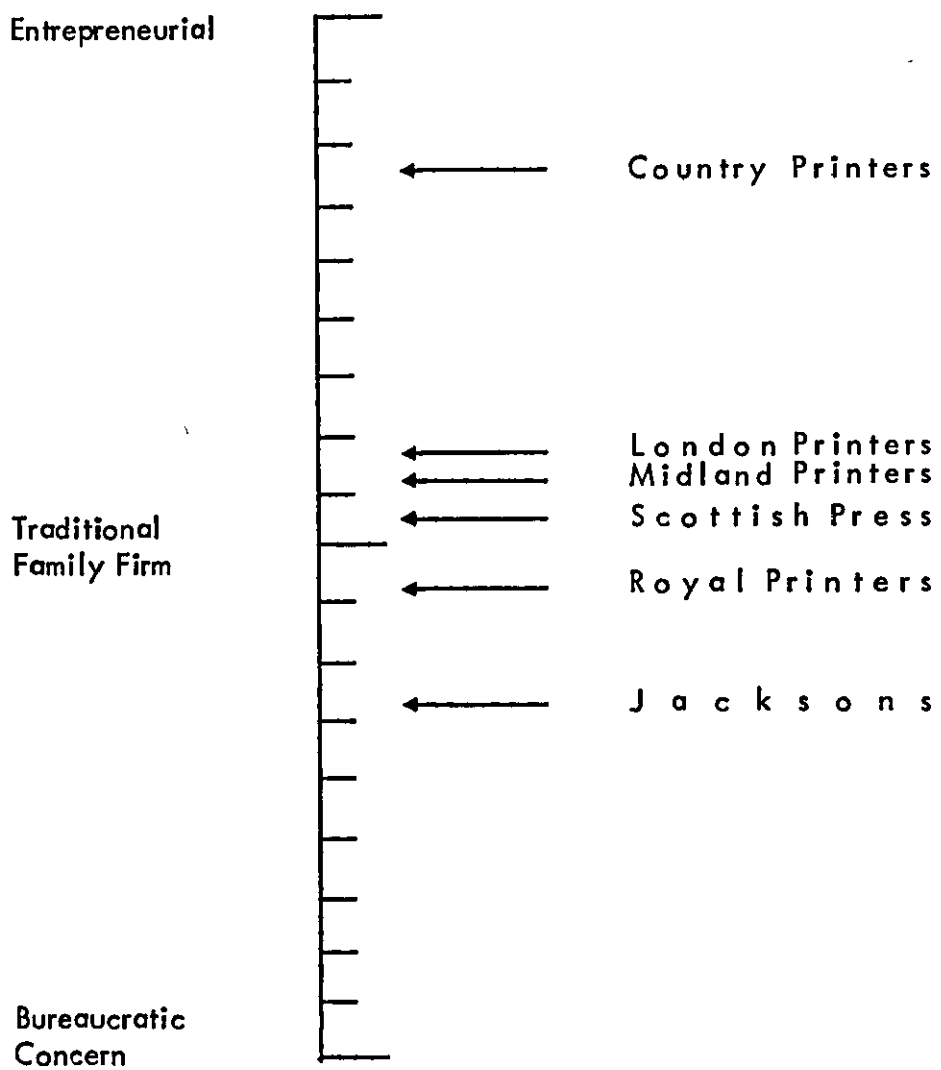
Royal Printers Limited whilst still retaining many of the characteristics of the family firm, can be seen to be rather more bureaucratic in nature than those discussed above. The confusion regarding the chain of command was the lowest in any of the six firms investigated and only 3 per cent of those interviewed claimed to have regular communication contact with the chief executive. Similarly, the proportion of respondents dealing with customers was also at a relatively low level. This firm was classified, therefore, as a family firm which had moved slightly further down the road towards becoming a bureaucratic organisation than the Scottish Press.

Jacksons Limited can be seen as being in very much the same stage of development as Royal Printers. In some ways its family characteristics were as distinct (i.e. confusion regarding the chain of command and a high proportion of respondents reporting regular contacts with the managing director and customers) but it did have

some bureaucratic characteristics. For example, this firm had recruited two senior managers from outside the company. (Royal Printers, it will be recalled, also recently brought in an 'outsider' as a senior manager, but he was the brother of the managing director.) It was also the only firm visited which had appointed a research manager (responsible for assessing likely implementations of technological advance).

If one imagines a range beginning at the entrepreneurial stage of a business, developing to the family firm stage and then on to the more bureaucratic organisation, the stages of development reached by these firms may be shown diagramatically, as follows.

Figure 1 Stage of Development Reached



Although Jacksons and Royal Printers have been classified as being 'more bureaucratic' than Country Printers they are very small concerns and a very long way indeed from being formalised bureaucratic concerns. They have, however, moved further in this direction than the other companies in this small sample.

Measures of organisation attitudes and performance

Having classified the six firms according to their stage of development, an attempt was then made to see if this affected respondents' attitudes; to see if it had any implications for management style and, finally, to assess if it had any consequences for organisational effectiveness. Eight measures were employed for this purpose.

1. Ease of obtaining job related information

   An index of responses to the question asking respondents how easy they found it to get the information they needed to do their jobs.

2. Extent to which instructions conflicted

   An index of responses to the question asking those interviewed how often the instructions they received from different sources conflicted with each other.

3. Management styles

   This was divided into two aspects.

   (i) Management style preferred: this was the style the greatest proportion of respondents in the firm nominated when asked which style of management they preferred;

   (ii) Management style found: this was the style the greatest number of respondents found to predominate in the firm.

4. Attitudes towards organisational change

Once again, this measure had two aspects.

(i) Efficiency: an index of responses to the question asking respondents whether the organisational changes that had taken place in the firm during the past two years had resulted in the firm being more or less efficient;

(ii) Working environment: an index of responses to the question asking respondents whether the organisational changes that had taken place in the firm during the past two years had resulted in the firm being a more or less pleasant place in which to work.

5. Job satisfaction

An index of responses to the question asking members of the management team how much they liked their jobs.

6. Commitment to the organisation

An index of responses to the question asking respondents how satisfied they were with the company as an employer.

7. Rate of growth of turnover

The increase in turnover for the five financial years preceding the study. (Full details are to be found at Appendix F.)

8. Average profitability on turnover

The average rate of return on turnover for the five years preceding the study. (Full details are to be found at Appendix G.) It was considered that this measure would be more reliable for comparative purposes than return on capital employed because of the widely varying interpretations placed on the latter.

The results obtained in respect of these measures are shown in Table 2.

Table 2: MEASURES OF ORGANISATIONAL ATTITUDES AND PERFORMANCE

COMPANY (number of employees shown in brackets)	1 Ease of obtaining job related information	2 Extent to which instructions conflict	3 Management Style		4 Attitude towards organisational change		5 Job Satisfaction Index	6 Company Commitment Index	7 Rate of Growth of Turnover (1964 = 100)	8 Average Profit on Turnover (1964 - 1968)
			Preferred	Found	Efficiency	Working Environment				
COUNTRY PRINTERS (146)	90.0 (2)	27.5 (4)	C (90%)	C (100%)	82.1 (1)	80.0 (1)	84.0 (6)	72.0 (6)	168.2 (1)	18.4 (1)
LONDON PRINTERS (38)	100.0 (1)	25.0 (5)	C (57%)	B or C (45%-43%)	67.0 (5)	60.0 (6)	91.4 (2)	88.6 (2)	139.5 (4)	5.6 (4)
MIDLAND PRINTERS (115)	70.6 (6)	29.2 (3)	C (72%)	C (44%)	70.0 (4)	66.2 (2)	91.0 (2)	86.4 (3)	119.8 (6)	4.0 (5)
SCOTTISH PRESS (110)	74.0 (5)	29.0 (3)	A (31%)	A (55%)	46.6 (6)	37.2 (5)	87.8 (4)	81.4 (5)	141.0 (3)	7.3 (3)
ROYAL PRINTERS (130)	80.8 (3)	25.0 (5)	A (35%)	B or C (45%-45%)	75.0 (3)	64.0 (3)	87.0 (5)	86.0 (4)	122.4 (5)	3.3 (6)
JACKSONS LIMITED (220)	80.4 (4)	35.5 (1)	C (48%)	B (33%)	78.6 (2)	62.4 (4)	90.0 (3)	91.2 (1)	159.6 (2)	10.3 (2)

From these results, the following conclusions can be reached.

Country Printers Limited (classified as entrepreneurial) can be seen to be a firm where respondents did not find it difficult to obtain job related information, conflicting industructions were not a problem and attitudes towards change were positive. It was of interest to note that all those interviewed perceived the management style of the firm as consultative. The economic performance of this firm was outstanding. Country Printers had the fastest rate of growth and its rate of return on turnover was much higher than the other firms in the sample. On the other hand, its levels of job satisfaction and commitment to the company as an employer were not quite as high as in the other companies. It had passed through a period of rapid growth and undoubtedly all concerned had worked very hard. In some cases, the strain involved in undertaking extra work and additional responsibilities (particularly where this was perceived as not have been adequately rewarded) may have resulted in the level of job satisfaction being reduced.

In short, Country Printers appeared an effective organisation, highly profitable, with well above average rate of growth.

London Printers Limited (classified as a traditional family firm). In this firm, respondents found it easy to obtain information, instructions rarely conflicted and the levels of job satisfaction and commitment to the company as an employer were high. Its economic performance, however, was poor. In real terms, its turnover had hardly increased during the five year period and its profit on turnover was low. Attitudes of respondents towards change were largely negative. Briefly, London Printers performed its function in providing a way of life for those concerned. Its main strength lay in the quality of service it offered and the main threat it faced

was that its customers would install their own small printing plants. It functioned well as a unit in all respects apart from its economic performance. Its main aims, however, as has been shown, were social rather than economic.

Midland Printers Limited (classified as a traditional family firm). In this company respondents did find it difficult to obtain job related information but conflicting instructions were not seen as a problem. Job satisfaction and commitment to the company as an employer were at reasonably high levels. As in the case of London Printers, however, the economic performance was poor. This firm had the lowest rate of growth in the sample and one of the lowest profit levels. Unless it existed for social purposes, it was difficult to see why it should continue functioning.

The Scottish Press (classified as a traditional family firm undergoing some changes towards being a more bureaucratic concern). In many respects, the results obtained for this firm were similar to those of Midland Printers. Respondents expressed some difficulty in obtaining job related information although conflicting instructions were not seen as being a problem area. In this company, however, a more authoritarian management style was found than in any of the other concerns investigated. Members of the management team had generally negative attitudes towards change and the level of commitment to the firm as an employer was relatively low (38 per cent of those interviewed were uncertain as to whether or not they would remain in the employment of the firm). The rates of growth and profitability were not impressive - particularly if one recalls the particularly favourable market situation in which this firm operated.

Rather like London Printers, the Scottish Press provided a way of life for its owners. It operated in a far more favourable market than Midland Printers, however, and, as the chief executive explained, "they couldn't fail to make a profit".

Royal Printers Limited (classified as a traditional family firm undergoing some changes towards becoming a more bureaucratic concern). There were no particular difficulties with regard to obtaining job related information at Royal Printers and conflicting instructions were not found to be a problem. The economic performance was poor in that the company had only achieved an average return of 3.3 per cent on turnover during the five year period and its rate of growth was also very low.

The firm faced a crisis in its leadership. Whilst respondents were probably prepared to accept family hegemony when the firm was prospering, they questioned this when it began to flounder. The need for more dynamic leadership was illustrated by the fact that the majority of respondents said they would prefer the autocratic management style, although only one found this style to operate in practice in the firm. Like Midland Printers and London Printers, the economic performance of this firm hardly justified its continued existence.

Jacksons Limited (classified as a traditional family firm undergoing some changes towards becoming a more bureaucratic concern). This firm had achieved the second highest profitability in the sample and a rate of growth which was not far behind Country Printers. On the other hand, it had only taken a few organisational measures to cope with the inevitable changes accompanying growth and this was reflected in some of the results shown in Table 2. Conflicting instructions were found to be a problem, for example, and respondents felt the social environment in the firm had deteriorated during recent years. It had, however, the highest level of commitment to the firm as an employer found in the sample.

Jacksons can be seen as a firm which has managed to combine many of the charms of a family business with efficiency in the market: a task in which the other traditional family companies had largely failed.

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CHAPTER IX

DISCUSSION

It is difficult to draw general conclusions in such a complex field on the basis of six cases. These studies do, however, provide some useful insights into the problems faced by entrepreneurial and family firms in the printing industry and illustrate several of the differences (as described in Part I) between such enterprises and other business organisations.

In the definition given at the beginning of Chapter IV, it was suggested that a significant factor which distinguishes organisations from other forms of social groupings is that they are established in order to achieve specific goals. In the case of business enterprises, it is normally assumed that some of the principal goals are economic, yet it can be seen from Table 2 in Chapter VIII (page 203) that three of the six firms included in this study were not performing well commercially (e.g. in 1968, one of them achieved a rate of return on capital employed of 2.7 per cent and a 1.3 per cent profit on turnover). When one considers the rate of return from readily-available and secure alternative investments, one might wonder whether or not the owners/directors concerned were aware of the low rate of return they were achieving (see quote by Singer on page 44) and also if the alternatives really were readily-available to them (i.e. were there constraints preventing them from selling up?). It might well be, however, that if one could examine the family's total return (i.e. taking into account their directors' fees, salaries and expenses, as well as profits) that it would be considerably higher than if they invested their capital at current interest rates (particularly with earned income

preferable to unearned income for tax purposes). In such cases, for instance, the owners would be following the economic goals of the family and not those of the business as a whole. Of the remaining three firms in the sample, one - by the admission of its chief executive - "couldn't fail to make a profit" and only two (Country Printers and Jacksons) had chief executives who appeared to regard their firms as 'businesses' in the usual sense. As one might expect, these two firms emerged as the most successful in commercial terms. It was interesting that they were also the two companies classified as being at opposite ends of the developmental scale adopted, i.e. Country Printers was seen as an entrepreneurial concern and Jacksons as the family business which had moved furthest towards the bureaucratic model.

It was also proposed in Chapter IV that in the family firm, social considerations might sometimes be regarded as being at least as important as economic considerations. With the exception of the first-generation concern, evidence to support this viewpoint was found to abound in all the firms studied. For instance, directors of London Printers were happy to "live off the business" and had modest economic goals. At Midland Printers, the managing directors seemed to be far more concerned with the social acceptability of candidates for top management than their competence. In the Scottish Press, respondents complained that uneconomic work was sometimes taken on because of the prestige associated with the customer concerned. The managing director of Jacksons was said to write "very independent" letters to customers. Many other 'social' aspects valued by these managing directors (e.g. their place in the local community and involvement in Federation affairs) were regarded with contempt by David Farmery at Country Printers, who concentrated his energies on his firm and its development.

It was believed that an important difference between family concerns and more formal business organisations would be in the recruitment of people for senior management posts. Once again with the exception of Country Printers, all the chief executives included in this study had inherited their posts. There was a tentative suggestion in one of the surveys carried out for the Bolton Committee[1] that firms managed by second and subsequent generations of the founder's family grew more slowly than those under the founder and when the performance of the other firms in this small sample are compared with the growth record of Country Printers, this would certainly add support to this finding. Although the impartial observer might regard selection for a post calling for a wide range of skills to be fraught with risk if based on family succession, with the exception of Jacksons and Country Printers, all these firms intended to continue this practice. In some cases (e.g. where the family 'heir' was not acceptable as might occur at Midland Printers) this could have very serious implications for the future of the business.

Not only was the chief executive's post reserved for a family member, in most cases other senior posts were also 'made available' within limits to relatives of the owners. Indeed, in most of these firms two sources of recruitment were relied on to fill such posts - the family and long serving employees of the company. (Only Midland Printers and Jacksons had recruited 'outside' to fill senior posts.) As a result, most of the firms had management teams which had accumulated considerable service. David Farmery told the writer of his astonishment at some of the traditional practices he found (and failed to accept !) when he first joined the industry. Because of its traditions and its particular culture, the newcomer to the printing industry would find himself in a position very similar to that of the immigrant working in British business. Of the latter, Robert Heller has written:

> "They also have the inestimable advantage of entering the new culture free from its values, preconceptions, prejudices, received ideas, and general daftness. The Outsiders have Edward de Bono's lateral thinking built in. Since they are not blinkered by knowing that things simply aren't, or can't be, done in the way they want" (2)

One cannot but feel that perhaps the other firms in this study might have benefited considerably from the importation of able managers from other fields.

The absence of people who had gained experience outside might be expected to make a company somewhat 'inward looking'. In the case of family firms, this tendency would tend to be reinforced by relatively high proportions of employees following a family tradition in joining the firm or industry. Complete figures to cover all employees in the firms included in this investigation are not available, but amongst those interviewed the proportions following their fathers or uncles into the industry varied from nil in the case of the first generation firm (Country Printers) to 66 per cent in the smallest firm in the sample (London Printers). Again, as predicted, there were few people in any of these firms holding formal qualifications. It was suggested in Chapter IV that these factors might combine to give firms a traditional outlook - for them to be resistant to change. Some evidence to support this viewpoint is provided by the indices derived from answers to questions on organisational change. It can be seen from Table 2, for example, that Country Printers (where no one interviewed was following a family tradition in joining either the firm or the industry) had the most positive attitudes towards change, whereas London Printers and the Scottish Press (which had the highest proportion of respondents following a family tradition) had the most negative.

Sometimes long after the family which originally founded a company has lost control of it, members will choose to work for the concern. They will inevitably - because of their name - be accorded special attention and opportunities which may

be detrimental to the efficiency of the organisation concerned. Some insights into problems faced by both the 'family' managers and other managers in a firm which has passed out of family control, was provided during a study the writer carried out in a large group of printing companies. (The details of this organisation will be kept to an absolute minimum in order to maintain the anonymity of those involved.)

Woods' had been in existence for over two centuries and had been a public company for a decade or so. Its chief executive (a son-in-law of the previous chairman and, at one time, the only non-family member of the board) had re-structured the board in such a way that all members of 'the family' became members of local boards of operating companies, but not one of them remained a member of the main board. This was obviously likely to have been a source of considerable strain for those involved and an opportunity was gained to talk about it with one of the family members concerned and his direct subordinate.

Frank Woods was the chief executive of one of the companies in the group. He explained to the writer that the original directors of the firm had had an agreement whereby only two of their sons could join the business. As he had been the third son in his family he had been forced to look for another career but, when one of his elder brothers was killed in the Second World War, this had allowed him to enter the family firm. He had never considered any career apart from printing, for as he said: "if my veins were cut, black printing ink would come out of them". During recent years, however, he had become disillusioned with the company. He complained:

> "Having the name 'Woods' was now a disadvantage. The family no longer had a majority shareholding. I've worked hard for the company, but this has not been appreciated. There was now a certain rule of fear (he continued be giving examples) ..... Because of this general insecurity and anxiety, I have decided to get out. In fact, I will be buying a business before the end of the year. This was a sad decision, but the only course open to me in the circumstances. For this reason I couldn't really care less - I leave the job to (Works Director) as much as is humanly possible"

It was interesting to see how this was perceived by the works director concerned, David Bowden, a man with no family connections, recruited from outside the firm. He reported:

> "I was brought in to modernise the set-up and make it economically viable. At the time there had been a split on the board and they had to find jobs for various members of the family. This job-finding exercise was due to their shareholdings in the Company and the prestige of the name 'Woods'. In order to provide a 'top-hat' job for Frank Woods, he had been brought in as managing director of the unit. He had been a member of the main board - in fact, the assistant managing director of the entire group - but he was busily being promoted downwards. His two brothers had been found jobs at the same time. John had gone to the head office to look after car taxation and insurance. Stephen - a very nice chap but no ideas as a businessman - went to the board of (another company in the group) after the company he was running went bust"

Mr. Bowden was most unhappy about these events. He continued:

> "(Managing Director of another unit) was able to say I'm not having Frank Woods on my xxxxxxxxx board, but as I was the new boy in the family I had no real say"

This respondent claimed to do all the managing director's duties in addition to his own. He lamented:

> "And I have him (i.e. Frank Woods) on my overheads !"

Although this particular example emphasises some of the negative aspects of the involvement of 'family' members, no doubt many other cases could be found where the family members concerned play a very useful part. The Wood's case does illustrate, however, how the participation of family members can affect the functioning of a business long after the family concerned has lost control.

Could the differences in commercial performance between the firms included in this study be explained by their management succession and recruitment policies ? Undoubtedly

not, for although these were clearly important they only account for part of the answer as Midland Printers had recruited people for senior posts from outside the company (it still retained the top post for a family member, however) and yet was far from being a commercial success. The answer seemed to lie in the role played by the managing director. Galbraith[3] may have been correct when he remarked on the extreme unimportance of the personality of the man who heads a large corporation or a large government department and how little would change if he were run over on his way to work, but in these smaller enterprises the personality and abilities of the chief executive seemed to be the critical factor. Undoubtedly, for example, the dynamism and flair of David Farmery did much to account for the success of Country Printers and although his management style was quite different, the lead provided by Francis Jackson to his management team also appeared to be of vital importance. It is interesting to speculate on what the financial results of these companies would have been had they been run by some of the other chief executives included in this sample. It is unlikely that they would have specialised, gone into new markets, been as profitable and grown as much as they did. In the same way, one suspects that the commercial results of Midland Printers and Royal Printers would have been very different if David Farmery had been managing director of either of these companies. This would imply that selection for the chief executive's post is of absolutely crucial importance and that hereditary succession might - or might not - provide a suitable managing director for the business.

The open systems theory approach to organisations described in Chapter IV, suggests that if organisations are to survive they need to be sufficiently flexible to meet changes in their external environments. In the case of many of the firms included in the study, however, they have operated in a relatively sheltered

environment and are only beginning to feel the effects of change. Perhaps a useful way of assessing the strengths and weaknesses of these enterprises is to examine the strategies they have adopted to date in order to meet likely changes in their market situation (as described in Chapter VI) and to cope with the social and technological changes (described in Chapter II) they are likely to face in the next decade.

The entrepreneurial concern, Country Printers, and the family firm considered to have moved closest to the bureaucratic model, Jacksons Ltd., had both taken positive steps to ensure the future of their businesses. These two enterprises had invested in research and development activities, had specialised, developed overseas markets and were very conscious of the need for change. However, they were only really beginning to appreciate the value of the human resources they controlled and to invest in their development also. At Country Printers there were no status symbols such as reserved parking spaces, managers' dining room and Mr. Farmery intended to abolish 'clocking in' which he described as "Tory negation of man's self respect". In many respects, the situation at Jacksons was similar. Relationships between the chief executive and his management team were very close. Everyone referred to him by his first name and everyday he joined the queue for lunch with everyone else (the only firm visited where either of these practices occurred). Because of their generally favourable attitudes to change and the social climates which might enable them to recruit and retain able people from outside, one might reasonably expect both these companies to be successful, therefore, in coping with demands placed on them. However, both faced some problems.

Country Printers, which so clearly demonstrated that it was possible in the 1960's for a small firm in the printing industry to be highly profitable and simultaneously to achieve a fast rate of growth, had shown itself to be flexible and to be able to adopt many of the techniques found useful in other industries. It would appear to have two main problems - one external, the other, internal. The external problem was the possible introduction of import tariffs which might seriously affect the sales of the company and Mr. Farmery intended to overcome this by a programme of diversification. The other problem was the development of a management team capable of running a larger business. David Farmery had many of the characteristics of the entrepreneur and certainly in the firm the authority pattern was charismatic. He was attempting to overcome this by delegating as much as possible, recruiting able 'outsiders' and providing management training for all his management team. It was at least possible that this company would not develop into a traditional family firm but would move directly to a more bureaucratic form of organisation.

The success of Jacksons demonstrates that it is possible to retain something of the charms of the family business, yet still be profitable, achieve fast rates of growth and utilise advanced technology. Although it was considered to have moved closest to the bureaucratic model, there were signs that the 'family' nature of this firm was causing strain. Its dual authority system, for example, which relied on traditional and rational-legal forms, was causing some problems because those who relied on the latter were reluctant to take any disciplinary action which would be undermined by the chief executive who relied principally on the former. Some respondents also felt that the personnel policies of the company were somewhat antiquated - particularly with regard to the provision of pensions - and there may well be a need for these to be revised. Undoubtedly, the goodwill and loyalty expressed by those interviewed should be valuable during periods of rapid change.

In this case the firm had been most fortunate in that the chief executive - although a family member who had 'inherited' his post - was a most able and respected man. The indications are, however, that if the firm is to grow further and continue to be successful it will have to move closer to the bureaucratic model (e.g. reliance on rational/legal authority, impartial selection for management posts, etc.) than it has done to date. Such changes may well be opposed by those employees who are proud of their association with the Jackson family and appreciate the 'family atmosphere' in the firm.

It was those firms which were considered to be traditional family firms, however, where the major difficulties in facing changing conditions were likely to be encountered. Although some had taken a few steps towards a more positive approach (e.g. Midland Printers had opened a design studio, Scottish Press had engaged consultants to advise on marketing strategy) for their work they all tended to rely heavily on the personal relationships which their chief executives had with customers. Sometimes this continued to be successful, in other cases it failed. Shortly after the fieldwork had been completed at Midland Printers, for example, that firm lost 20 per cent of its business almost overnight when its major customer was itself merged into a larger group which had its own printing facilities. Similarly, a merger in the publishing field had resulted in Royal Printers losing a major contract to print a technical journal. Although they were aware of changes taking place which hazarded the future of their concerns, most of the chief executives involved seemed at a loss as to what they should do in order to surmount the difficulties their companies faced. They continued in very much the same way as they had operated in the past. In all cases, for example, the top post in the business was reserved for a family member and, apart from London Printers, in these

firms there was a considerable degree of social distance between the managing director and the management teams concerned. Miller and Rice have proposed that family businesses may well attract people with an unconscious urge to be treated as minor and underprivileged members of the family[4] and such individuals are unlikely to resent the social isolation of the chief executive. If, however, in order to meet changing conditions, these firms were to recruit high calibre people who would not so readily accept family leadership, problems would occur. It is not easy to imagine, for example, how these firms would cope with demands for more participation in management or deal with changed expectations of school leavers towards authority.

The future of London Printers would seem to be reasonably secure because the quality of the service provided and the scale of operations was such that high degrees of technical and managerial skill were not required. As long as the work continued to arrive in the post, the Scottish Press would obviously also continue operating. The latter, however, like Midland Printers and Royal Printers, has an organisation which is far from flexible and these three firms have very traditional outlooks. Unless they adjust radically within the next few years it is difficult to see how they can survive in a more competitive market situation.

Although there is a need to replicate these studies with a much larger sample of companies, the tentative conclusion which emerges is that the entrepreneurial firm seems to perform well, as does the family business which has made some moves towards becoming a more formal business organisation. On the other hand, firms which continued as traditional family firms did not fare well commercially unless they happened to operate in a particularly favourable market situation. As might

be expected, it was also predicted that the entrepreneurial concern would be more flexible in coping with change than traditional family businesses. One is, of course, looking at a dynamic situation and much will depend upon how the business enterprise concerned evolves. Ways in which this can occur and strategies which may be adopted to cope with the demands of change will be discussed in Part 5.

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PART 5

CONCLUSIONS

CHAPTER X

THE FUTURE OF THE FAMILY FIRM

> "Where the family does play an important part in business it is often a reflection of the economic immaturity of the population, the absence of a tradition of impersonal service in industry and the vulnerability of employees who have no kinship ties to the firm" (1)
>
> United Nations

> "There has always been, and there will always be, a place for smaller companies and for family businesses" (2)
>
> Sir Frederick Catherwood

As has been described, as industrial development proceeds it tends to be accompanied by a reduction in both family ownership and family management. Nevertheless, family firms are still to be found in large numbers in British industry at the present time and this chapter will examine some of the difficulties they are likely to encounter within the next few decades.

As can be seen from the first quotation above, the United Nations follow the assumption of economic planners that family firms are detrimental to economic development because they are based on nepotism and paternalism which are believed to lead to inefficiency. This view has been disputed by Benedict[3] who has pointed to the considerable advantages of the family business in fostering economic growth by taking a long-term view, in investing heavily in the training of family members, in engendering a high degree of commitment, and in providing

a sense of security and stability. Benedict hypothesises that the family firm organisation is likely to be more important in the early stages of the growth of a firm than in the later stages and it would certainly appear to be the case, not only in Britain but in many other nations, that in the process of industrialisation families have played a vital role. They provided capital which enabled businesses to be set up, were a source of young men highly commited to the success of these firms to manage them and, on occasions, gave a sense of cohesion to their members at various locations thus enabling larger-scale enterprises to develop.

In an advanced industrial society, however, the business enterprise functions in an environment characterised by rapid social, economic and technological change. Although (as was shown in Chapter II) some of these changes tend to favour the larger company, this was by no means exclusively the case, and a place continues to exist for the smaller and medium sized concern which can adjust to meet changing conditions. Indeed, many of these concerns play a vital role in filling many of the nooks and crannies in the economic system which tend to be ignored by larger firms. Some of the particular problems of change likely to be faced by family firms were discussed in Chapter III but, since completing the empirical work described in Part 4, it would appear to the writer that family businesses at various stages of evolution face rather different problems. In other words, the difficulties facing the first-generation entrepreneurial-type firm are not the same as those being encountered by the old-established family business. When considering the place of the family business in the modern world, therefore, there is a need to distinguish between those at various stages of development. Clearly, what follows is an attempt to abstract from general tendencies, but after visiting many such firms and discussing these matters with their owners, it is believed that these patterns are to be commonly found.

The first generation enterprise

As was demonstrated by the case of David Farmery at Country Printers, the entrepreneur is not continuing in a tradition and is not the trustee of the family inheritance in the same way as is the chief executive of an old-established family business. He has not undergone the same process of socialisation into the values of the firm (or possibly the industry) and, consequently, is much more likely to question traditional practices and to be prepared to adopt technical advance than would the family heir. Although many such firms are successful because of the sheer drive of their founders, they do face several problems.

It has already been suggested (pp. 51 -52) that entrepreneurs are likely to possess what McClelland has termed a high need for achievement (n. Ach).[4] Such individuals like to feel responsible for results (i.e. they do not like to share responsibility) and tend to work extremely hard for long hours. They enjoy innovating and, rather than follow standard practices, they tend to study the requirements of each situation carefully and then meet its specific demands. They enjoy their work and are usually reluctant to retire from it. It is not difficult to imagine such individuals regarding their businesses as extensions of themselves and being reluctant to share control with anyone else. From the points of view of the business, such characteristics in the chief executive have some negative aspects. Opportunities for growth may be ignored, for example, because they would require outside financial involvement which would conflict with the founder's strong desire for independence. The reluctance of the owner to share power with anyone else in the organisation - quite apart from its obvious long term implications for management succession - may mean that the firm will only grow to a size where he can virtually still make most of the decisions. Other management difficulties may also

be expected because the skills and personal qualities required for founding a business may be somewhat different from those required to run it on a day-to-day basis.

The critical factor in determining the future of such firms is the question of succession. Who will take over from the entrepreneur when finally he has to leave the concern? Characteristically, entrepreneurs do not delegate authority and it would be unlikely that anyone in the firm would have the necessary experience (or indeed personal qualities) to take over the chief executive's role. If, as is often the case, control of the business is handed over to his son, as it is most unlikely that he will have the same personality characteristics or degree of motivation as his father, the future of the business may well be in jeopardy.

Interestingly, David Farmery was very much aware of this problem. He believed that he did practise delegation and that his absence in the USA allowed his management team to take responsibility and develop. He also intended to recruit some high calibre people from outside the organisation. It appeared to the writer, however, that relationships between the chief executive and his immediate subordinates in that company were very different from those in a more formal concern (i.e. his subordinates were 'disciple-like') and one suspected that most decisions - even on relatively trivial matters - were still made by the managing director.

It would seem that there will always be a place for the first-generation firm to be set up to exploit a gap in the market. The main difficulties it is likely to meet will be in attempting to grow beyond a certain size and in arranging for someone to take over the management of the concern when the founder eventually leaves

it. These tasks - whilst difficult - are by no means unsurmountable as has been shown by the many firms which did start in this way and have grown to become major organisations.

The partnership

A first-generation enterprise may be a result of the joining together of two or more brothers, cousins, or friends, to form a partnership. Such an organisational arrangement allows for a division of responsibilities between the principals from the inception of the business and, in this respect, the partnership differs markedly from the first-generation entrepreneurial firm where the success or failure of the business tends to depend on one man.

It was unfortunate that it was not possible in this study to examine a partnership where two or more of the partners took an active part in the management of the business, for the success of this form of organisation would seem to deserve further attention. (Country Printers was legally a partnership but only David Farmery took an active part in its management.) Perhaps the sharing of decision-making, the facility for partners to concentrate on matters where they have particular skills, or (where more than one family is included) the reduction in the emotional ties between the families of the partners and the firm, combine to make the partnership a particularly viable organisational form. Some have developed into major organisations e.g. Geest, Lever Brothers, Lyons, Marks and Spencers, and Philips, and it would be interesting to examine the ways in which these organisations differ from more traditional family concerns.

One might anticipate problems of succession in such firms, particularly in cases where more than one family was involved (e.g. how many members of each family

would be allowed to enter the firm?). On the other hand, the emotional ties between the family and the firm might be far less in such cases, and the former may be much more likely to accept their families losing sole control of a business, the sale of shares to the public, or the introduction of professional managers.

The traditional family firm

The traditional organisation with its emphasis on ascribed status and relatively rigid system of social stratification would seem to be sadly out of place in a society marked by such factors as achieved status, social mobility and competition, and one would expect to encounter many of the problems of the traditional organisation in a particularly acute form in traditional family businesses. The problems such enterprises face (many of which have already been described and illustrated) would seem to stem from two main sources. One is the confusion of roles which occurs between the social system of the family owning the business and that of the firm itself, and the other is the traditional values which tend to be enshrined by such family enterprises.

In particular, one would expect to find problems in the management field. For example, although in the past 'family management' may have been accepted, as was illustrated by some of the firms described in Part 4, there is a growing reluctance on the part of other managers to accept this right of family members to inherit managerial posts. One would not expect the general calibre of management to be high, therefore, because of the general unreliability of hereditary succession and the reluctance of able people living in a society where job opportunities abound, to accept posts in organisations where the top positions were not open to them. One might also expect able young family members to seek careers elsewhere, because the anguish experienced by some family heirs over their uncertainties as to whether they

obtained their posts because of their abilities or their family membership are fairly well known. The traditional family business, therefore, is likely to face a crisis situation in its management during the next few decades as educational opportunities increase and acceptance of people in posts because of accident of birth becomes even more uncertain. Much would seem to depend upon the roles actually played by the family members in these traditional concerns. If they insisted on their 'birthright' and regardless of questions of competence nominally (at least) held the positions of managing director, sales director and so on, whilst the actual responsibilities were carried out by others, this would not augur well for the success and survival of the firm. One is reminded of Burnham's comments on the nature of such delegation of power and control:

> "It has always happened that servants who discover themselves to be solidly enough established gradually turn on their masters, especially if they wake up to the fact that their masters are no longer necessary to them. Under the Merovingian kings of France in the Dark Ages, the Mayor of the Palace was originally the mere vulgar chief of the court servants. Gradually the actual control of administration got into the hands of the Mayors of the Palace. But, for several generations thereafter, the Merovingians, becoming more and more mere puppets, were kept as kings and lived with all the outward signs of kingship. The final act of doing away with them, which took place when the Mayor who was the father of Charlemagne proclaimed himself king, simply put in a formal way what had already happened in sociological reality" (5)

Some family businesses, of course, obviate this situation by members of the family owning the firm virtually abdicating from full-time executive responsibility but, in such cases, the firm has then moved a long way from being a traditional family concern towards being a more formal business enterprise. A recent article in the Financial Times described such a case at Porsche, where a member of that family was quoted as referring to 'the third generation rule', viz:

> "The first generation builds, the second maintains its position, and the third gets into difficulties" (6)

This variation of the 'clogs to clogs in three generations' theme would seem to contain some truth but, as recent events at Rolls Royce have shown, it is not only family businesses which run into major difficulties.

The traditional nature of many family businesses may also be expected to be highly dysfunctional during periods of change. The sense of security and stability cited by Benedict (see pp. 222-223) as an attribute of the family business, for example, is hardly likely to be conducive to the introduction of new processes or methods. Similarly, pride in a craft may be regarded as admirable, but if this involves the production of work at a superior standard than is required by the customer, who is then expected to pay a higher price and wait longer than he would for similar work to be carried out by a more modern process, it becomes questionable. The personal concern felt for employees may also be a serious constraint during periods of change for there is frequently a grave reluctance to reduce the status or wage attached to any specific skill, to declare anyone redundant, to ask them to retire prematurely or sometimes even at a normal retiring age.

These various factors combine to make the position of the traditional family firm a precarious one. As has been shown in the cases described in Part 4, many of them exist making very little return on capital and are not growing. It may be argued, of course, that the families concerned own the business and if they do not wish to grow or to become more profitable, why should they? On the other hand, these concerns have at their disposal valuable national resources - capital, manpower and expertise - and from the point of view of the industry concerned or the nation, the combination of their individual policies may be disastrous. It should also be borne in mind that quite regardless of the performance of the firms, many of these owners are experiencing very considerable growth in the value of their

investments as the values of their sites increase.

As was shown by the case of Jacksons, however, it is not necessary for the traditional family firm to continue in this form for it can evolve into a more formal business concern. One would expect, therefore, firms within this category to consist of two groups, those which were intending to continue as traditional family businesses and those which were evolving into more formal business concerns. The prognosis for the former would be poor, whilst the latter may well manage to evolve into successful, thriving, business concerns.

The traditional family firm in the process of evolution

Benedict may well have been correct when he hypothesised that the family firm organisation is likely to play a more important part in the early stages of the growth of a firm than at later stages. In the early stages of the development of a business, for example, the willingness of a family to take high risks with its capital, the dedication of family members - prepared to work long hours perhaps for little financial return in order to see their business grow - may be of critical importance. At a later stage of a firm's history, however, (as the Wood's case described in the previous chapter illustrated) family members may be a source of embarrassment to their colleagues and their involvement in the business may lead to all sorts of tensions. Thus a traditional family business which is attempting to evolve into a more bureaucratic concern may expect to find problems occurring because of its family history. It is, of course, possible to turn the 'family' background of such firms to positive advantage and strategies which may be adopted for this purpose will be discussed in the next chapter.

In the transitional stages the family firm may suffer from some of the problems of the traditional concern, some of those faced by bureaucratic organisations and

some due to its transitional stage (e.g. dual authority systems) which is clearly likely to lead to a most difficult situation. If, however, it is successful in becoming a more formal bureaucratic concern it most certainly does not cease to have problems; if anything it is likely to face even more than it did in its days as a family concern. However, such a transition is likely to make the future of the business much more secure. As Stanley Davis has written:

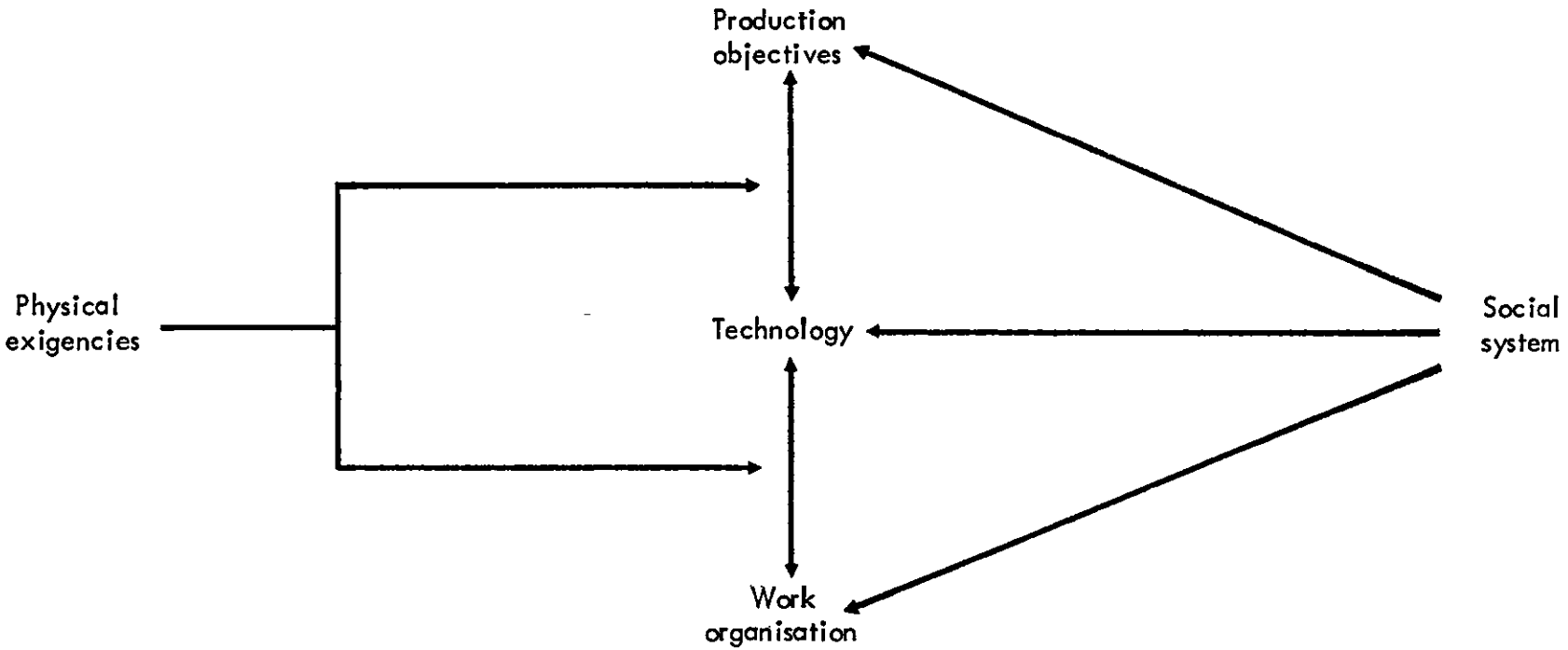
> " .... the family firm must adapt to the requirements of modern industrial enterprises or ultimately face extinction. It cannot survive continuous and rapid industrial growth in its present traditional form. Or, by corollary, to the extent that this traditional form does perpetuate itself, industrial development will be impeded" (7)

Conclusions

In Chapter IV a review was made of some current theories of organisation and this concluded that many of the writings discussed were not directly relevant to the problems facing family concerns because these differed in several respects from more formal business organisations. This absence of theory was perhaps surprising in view of the very large number of such family organisations throughout the world. However, a model provided by a writer in the socio-technical school, Stanley Udy,[8] has been found to be particularly useful in gaining understanding of the situation in which the contemporary family business finds itself. Udy's work also illustrates the relevance of some other studies described (notably Joan Woodward's) to the family concern.

Udy proposes that organised work is subject to physical and social constraints which are in basic opposition to each other. The pattern of these constraints is shown in Figure 1.

Figure 1 THE WORK SYSTEM AND ITS CONSTRAINTS



(Adapted from: Stanley H. Udy, Jr. (1970)
Work in Traditional and Modern Society
U.S.A. Prentice Hall Inc.)

He suggests that no work system (i.e. the work organisation pursuing production objectives by means of a technology) can be adapted both to the physical and social exigencies at the same time and, as a result, four types of work organisation emerge. These he terms as follows:

1. Production determined work organisations

   In these organisations, production objectives are taken as given by the social system and the technology and work organisation structure are physically adapted to their achievement without primary regard to the likely social implications. Such organisations tend to be temporary in nature. In our own society, an example would be the armed services in times of war.

2. Technologically determined work organisations

   These organisations import some well-defined technology, adapt their own work organisation structure to its exploitation, and then employ the technology to achieve production objectives. Although it may be theoretically possible for both the production objectives and work organisation not to be subject to social forces, as Udy points out, technology is rarely specific enough to imply directly either definite production objectives or any explicit organisation structure - it tends to set limits to the structure of each of these components. Such organisations tend, therefore, to be extremely unstable and mainly exist as transitional forms in the course of industrial development.

3. Socially determined work organisation

   Udy describes this form as the simplest and most stable form of work organisation. It occurs where the structure of the work organisation is socially given. Roles are performed according to general cultural prescriptions and a technology is

carried out. The work organisation, however, is not directly concerned with the direct relationship of either the technology or the production objective to the social system: it is the work organisation itself which is directly oriented to this. An example of this form of organisation was given on page 5, where the practice of young Trobriand Islanders to grow yams as defined by their family roles, although they could have earned more by working on plantations, was described.

4. Pluralistic work organisations

Udy describes these as:

> " Organisations (which) are internally differentiated into segregated sub-units, each of which is concerned with a different set of consistent relationships in the work situation, and all of which, taken together, are concerned with all the relationships in the work system and between the work system and the social setting" (9)

A typical modern industrial firm with its marketing, production, maintenance and research departments all pursuing their own particular objectives (which will inevitably conflict with one another to some extent) provides an example of such a pluralistic organisation.

The relevance of Udy's model becomes apparent if one considers the position of the firms classified as traditional family businesses in Part 4, in relation to this. In these firms the structure and form of each component of the work system was clearly influenced by the social system. For example, such factors as the comparatively small size of the units, the high status attached to craft skills, the ownership concentrated in the hands of one family, and the tendency for printers to follow relatives into the industry, all helped to re-inforce the traditional nature of the work organisation. Similarly, the technology involved has not been subject

to a 'revolution' - it has evolved gradually and, even today, compositors still set type by hand. As a consequence of this, the technology of printing is highly regarded and has many close links with the social system (e.g. the ceremonies that are held to mark the completion of an apprenticeship and the title 'master printer'). Again, the production objectives of printing companies - to produce print - tend to be held in high regard within the social system because of their literary/artistic/educational/cultural connotations. What perhaps is remarkable about the printing industry is the extent to which all these components of the work system are apparently more or less equally affected by the social system so that it remains in a state of equilibrium, i.e. the comparatively simple technology can be coped with by the socially determined work organisation in meeting the production objectives given. These firms are beginning to be affected by change, however, and the model may be used to trace the likely effects of such developments.

For instance, one can trace the problems involved in attempting to introduce more advanced technology into such concerns. Computer typesetting, for example, may require capital expenditure beyond the resources of the owners and social norms are likely to inhibit them from borrowing the capital required. Similarly, they may tend to be reluctant to offer shares to the public because of the threat this implies to family control. Consequently, the innovation is not likely to be introduced. If, however, these financial difficulties do not exist or are overcome (as at Jacksons) the next problem likely to be encountered would be the general resistance of the social system to such a development because of its threat to the existing craft status structure and its potential effects on manning levels. Assuming these difficulties can also be mastered, it is likely that the production objectives will need to be changed, for computer typesetting facilities will probably be best utilised in large

batch production (e.g. in producing telephone directories). Such changes are also likely to be opposed by the social system because of the relatively low prestige attached to such work (i.e. those involved would probably prefer to exercise their craft skills on multi-colour high quality work). If this set of problems is dealt with, in order to carry out such production it is likely that the work organisation itself will require change. As has been noted, Joan Woodward[10] has shown how change from small batch to large batch production is likely to call for related changes in the organisation (e.g. more levels of authority and more managers). It is also likely to call for changes in the roles concerned with boundary regulation (e.g. orders for large batch production will tend to be dealt with by professional print buyers and the personal contacts of the chief executives may be less relevant). Thus a change in one factor - technology - is likely to call for related changes in both the production objectives and work organisation of the firm concerned. However, in the family business the organisation tends to be inflexible. The number of levels of authority tends to reflect a past era (masters, overseers and workpeople) and is likely to be far fewer than required by the new technology. The new processes may also call for skills and expertise which are simply non-existent in these firms. The response of these organisations, of course, is to maintain the status quo - to largely ignore the technological developments available because of the likely consequences for the social system. In other words, social factors are determining the level of technology - simple technology is used because this can be handled by the existing organisation. When one uses Udy's model to analyse the potential effects on the work organisation of the introduction of new technology, one can begin to understand why the rate of technical progress has been so slow in an industry largely composed of socially determined work organisations, family firms.

Although these examples have necessarily been taken from the printing world, one would hypothesise that similar situations would obtain in other industries. Sir Frederick Catherwood was almost certainly correct when he suggested that there would always be a place for smaller companies and for family businesses,[11] but one would expect the latter to continue mainly in service fields or areas where the markets were sheltered. More generally, the traditional family firm will have to adjust to modern conditions or go under. Those that are prepared to change, however, may well have advantages (e.g. loyalty of employees) in coping with new demands.

This chapter has tended to concentrate on the more negative aspects of the family concern and, before concluding, mention must be made of some of their more positive factors. John Tyzack has suggested that "the desire to leave something for the boy is one of the greatest driving forces in the western world"[12] and this form of dynastic impulse may be important in the setting up of many ventures which involve high risk on the part of those concerned. Also, in an age dominated by large-scale organisations, many people are attracted to the family business because of what is seen as a more personal relationship between employer and employee. Because of their independence, family firms can also provide moral leadership which may not be possible for a manager responsible to countless shareholders. The decision of Neil Wates[13] not to extend the operations of his firm to South Africa because this was not compatible with the basic principles on which the company was run illustrates this well. Similarly, because of their lack of accountability to shareholders, the family firm may also decide to back projects which might be rejected by those using a more rational decision-taking approach. Sometimes these hunches are very successful - the decision of Wilkinson Sword

to market stainless steel razor blades comes to mind as an example of this (see page 55).

Strategies which may be of use to family firms in coping with the problems of change will be discussed in the next chapter.

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CHAPTER XI

SOME SUGGESTIONS FOR FAMILY FIRMS ATTEMPTING TO COPE WITH PROBLEMS OF CHANGE

> "The conclusion is that a modern industrial enterprise can survive as a family business only with the most exceptional of families" (1)
>
> Miller and Rice

Etzioni[2] has pointed out that the main sociological characteristic of modernisation is differentiation, whereby the functions which were previously carried out by one social system - the extended family - are performed by a number of specialised units deliberately set up to carry out specific functions. These specialised social units tend to be based on criteria of profit and efficiency and, to be effective, require rationality in the Weberian sense. In such units, therefore, such social processes as recruitment, socialisation, training and promotion, can no longer be left to the family but are designed to serve the goals of the specific organisation. As Parsons explains:

> "This obviously means that family and occupational unit must be sharply segregated and that the process of the allocation of personnel within the occupational system must be relatively independent of kinship solidarities" (3)

In much the same way, rationality requires separation between the finances of the enterprise and those of the family, so that the business can accumulate wealth and plough back profits. (In some cases, of course, ploughing back profits might be easier with family ownership than with a public company. Sainsbury's, for example, has invested about 83 per cent of their pre-tax profits over the past five years,[4] but this tends to be exceptional, particularly

at later stages of the development of a private family company, when there might be a large number of relatives dependent on the business for income.)

In the case of the family firm, of course, such differentiation is incomplete. During the next decade the family business is likely to face ever-increasing pressures from the environment in which it operates. The capital required to purchase new plant may be beyond its resources; it may face increased competition from larger concerns or may lose its suppliers or customers because of mergers in other industries. Other firms will be subject to these pressures, of course, but family firms are likely to be particularly vulnerable because of their sense of tradition and the general reluctance of those managing them to seek outside capital or to appoint professional managers. On the other hand, many family businesses benefit considerably from the intense loyalty of their workforces and, as they tend to be relatively free of industrial relations problems, they may be more flexible in some marginal respects (e.g. in overcoming job demarcations) than their larger competitors. This chapter will examine some of the organisational strategies that family businesses can adopt to meet some of the rapid changes likely to be faced during the next few years.

Before it is possible to devise a strategy it is necessary to decide upon the prime objectives of the business. What is its purpose? Does it exist to provide a way of life for those members of the family who work in it, or is it attempting to obtain a reasonable amount of return on the family capital investment? Is it a "trust" concerned with looking after the employees? Is it a custodian of craft traditions and standards or is it concerned with adapting new processes and techniques? Does it wish to grow? Is it prepared to diversify? Most owners of small family businesses with whom I have discussed these matters have multiple objectives and find it difficult to allocate priorities to any of them. Social

influences are usually very strong, however, and even if they do mention profits and growth among their aims they do not attach the greatest importance to these factors to judge by their economic performance. Whatever its principal objectives, the family business which intends to remain in existence would appear to have four courses of action open to it:

1. to continue under family ownership and management;
2. to continue under family ownership, but to leave the management of the concern to professionals;
3. to abandon family ownership of the business, but to attempt to retain management of the concern by the family;
4. to evolve into a more formal concern and to accept that this will probably involve the family losing control at some stage.

1. Family firms intent on remaining under family ownership and management

In many cases, families intend to continue as they have done in the past owning the concern and accepting responsibility for its management generation after generation. Where a high degree of trust is required (e.g. a merchant bank or a firm using a secret manufacturing process) family operation may be very suitable. Nevertheless, the future for most family concerns does not appear to be secure because (even if one leaves aside financial problems caused by death duties or the high cost of investing in new plant) difficulties will be encountered when 'the family' fails to produce the required number of sons or daughters able or prepared to run the business, or when nephews and sons-in-law decline invitations to join the firm. However, if a family is determined to continue in the

traditional manner, there are some measures it can take to try and ensure the continued existence of the business.

The main requirement for survival for the traditional family concern is the choice of business where the technology is relatively simple and where the quality of service can compensate for other deficiences. Such firms should be quite small (e.g. hotels, restaurants, garages), should not require large amounts of capital investment, nor demand management skills of a high order. Relationships between the owners and employees do not normally conduce to restrictive practices and free the family enterprise to respond to the needs of its customers more effectively than a larger, more formal, concern. The family firm may also derive benefit from the close links between its owner and the local community; many customers may prefer to do business with someone they know and trust rather than have more impersonal transactions with the local branch of a major company.

Most of the senior management posts will be filled by members of the family owning the business. This has advantages. A family member enters the business with its associated values when he is young and impressionable and his socialisation extends over a long period. As a result, he may be expected to be extremely loyal to the concern and is far less likely to leave it than a professional manager. Tyzack has suggested that this early introduction into business will provide valuable experience:

> "Hearing business talked about from his early years he may well find that business comprehension and values, so to speak, rub off on him" (5)

As Miller and Rice point out, however:

> " .... the management of industrial and commercial enterprises demands experience that cannot be gained and skills that cannot be learned in normal family life - even in a family that owns and runs a family business" (6)

Nevertheless, there are several steps a family can take to prepare its younger members to fill management posts. If they wish to join the business, it can pay for their technical or professional training. If the succession pattern allows for it, considerable benefits may be gained by encouraging young family members to join other concerns for a few years before starting with the family business. If they achieve success in another organisation, this may help to reduce their self doubts and to enable them to be accepted as 'professionals' by their non-family colleagues when they do join their own company. Furthermore, working in another organisation provides very useful experience and teaches them a variety of management techniques not found in their own firm. They gain insight into the changing nature of authority and appreciate that it will be far more difficult for them to gain acceptance as 'the boss' than it was for previous generations of their family. Perhaps the most useful advice offered to those who manage a family company is that given by Peter Drucker:

> "The secret of a family company is a very simple one; as long as you demand that the family members at the top work twice as hard as anybody else, you are all right; but the moment you allow the playboy in management, you are gone, because then the people you employ will not work for you any more, if they are any good. In a family company, subordinates will be perfectly willing to work for a not terribly bright family member, as long as he works" (7)

But there are disadvantages to be faced if senior management posts are mainly filled by family members. The worst are the conflicts between family members which are so often to be found in such concerns. Levinson[8] suggests that the fundamental psychological conflict in family businesses is rivalry, compounded by feelings of guilt. He offers several suggestions for dealing with such conflict.

Conflict between father and son

Father fears that he will lose control, not be needed and be rejected. Son worries about being subject to excessive control, being exploited and not being treated

as a mature person. Levinson advises an open discussion between the two parties. He suggests the son should acknowledge his father's achievements and recognise his wish to continue to run the firm. He should explain his own wish to exercise his skills and to be given an area of responsibility. (The father might be able to accommodate his son's aims, for example, by giving him control of a unit at another location or providing him with finance to set up his own venture.) Or father and son can discuss the problems they face in their relationship with a neutral third party who may give both parties insight into the ways in which their feelings of rivalry and guilt affect their perception of the situation. Both father and son would also benefit from discussing their difficulties with people in similar positions in other family businesses. This would show them that their problems were not unique and they could obtain support from people undergoing similar strains.

Conflict between brothers

Levinson advises that where this occurs it is important for the brothers to appreciate that, psychologically, they are recapitulating ancient rivalries. Again he proposes that the brothers discuss openly their problems, talk about their fears, worries, anger and disappointments. It may then be possible to divide tasks between them so that each will have an opportunity to develop competence and work in a complementary relationship with the other.

Levinson also draws attention to the problems faced by brothers when they are in a superior-subordinate relationship in one set of roles (e.g. works director - works manager) but equal in others (as members of the board of directors). He suggests that if more than one brother is on the board only one should be a manager in the concern. He also points out that if the brothers get on well together such advice is not required.

The traditional family business may benefit considerably from using the services of management consultants who can introduce techniques (e.g. production control) found useful in other concerns. Sainsbury's, for example, although a private family business, has for some years published its annual report in a form as detailed as many public companies thus subjecting the organisation to the disciplines of public accountancy.(9) Unfortunately modern management methods are often regarded with scepticism in family firms and their advocates may encounter considerable hostility from other family members. Because of the management succession pattern in such firms, this frequently results in arguments between sons and their fathers and contributes to the conflict discussed above. Management consultants may also be useful in advising on management appointments. The consultant may be brought in to help the family reach a decision which they could never make on their own (e.g. to dismiss an incompetent member from his post).

If it is fortunate, the family business which follows all these suggestions may survive for some time but its long term future under family control would still appear to be uncertain.

2. Family firms intent on remaining under family ownership

A family owning a concern may decide to opt out of the day-to-day running of its business and set up a holding company or investment trust to protect and manage its investments. In such cases, as Miller and Rice point out, this involves the separation of organisations for the tasks of investment and management of the concern.(10) The business will be run by professional managers who will be responsible for their results to a holding company which they will be required to approach if they need further capital. If the family is not interested or lacks financial competence, it may also appoint professionals to run the holding company on its behalf.

In such firms, the separation of ownership and management is more or less complete. (Problems of transition will be discussed below.) Some family members will probably remain interested in the firm, will sit on the board of directors and want to play some role in its affairs. They can often be very useful as foci of loyalty and employees of the firm may like to see them around from time to time. An old-established employee of such a business may well prefer to receive a long-service award from such a family member than from the current incumbent of the chief executive's post - in much the same way as the recipient of an Honour may prefer to have this bestowed by the Sovereign rather than the Prime Minister. Particularly in old-established firms, the family member may play a useful role in representing the company. The danger is that he may ignore this segregation of the social system of the family owning the concern and that of the firm itself, overstep his role and become involved in the day-to-day management affairs of the firm. If they can avoid this, however, family members can play a useful and valuable part in the life of such a company.

The main difficulty with this arrangement is the conflict of goals between the holding company and the firm. The former will be intent on obtaining regular, secure, financial return for the family, whereas the top management of the firm may well wish to restrict dividends in order to finance further expansion. As the holding company will normally maintain strategic control of the business, they are likely to resist suggestions from the top management of the firm that they should diversify or rationalise. Able professional managers may refuse to tolerate this over a long period and resign. Reluctance to seek outside capital will obviously restrict the financial resources the firm will have at its disposal which may, in time, limit its growth. This relative stagnation may deter able young people from joining the business because of the lack of promotion prospects.

3. Family firms abandoning ownership, but retaining control

Some families may decide for a variety of reasons (e.g. to avoid death duties, to achieve growth) that although they can no longer continue ownership of a busines (which would require them to hold at least 51 per cent of the equity) they do intend to retain control of the concern (perhaps with a 20 per cent stake in the shareholding). Thus, although no longer owned by the members of a family, the business will still be run by them and continue to function as a family firm in many respects.

Such an arrangement has much to commend it. Provided the family concerned is astute in its management, it can retain many of the advantages of the family firm (e.g. the loyalty of employees) while at the same time having access to capital which will enable the business to grow and provide career opportunities for ambitious managers. Where it is likely to prove useful, members of the family can also continue to represent the firm to its customers and play prominent roles in the local community.

As the generations pass by, however, the family shareholding is likely to become dispersed and, as a consequence, the degree of control by the family will diminish. If the family still succeeds in performing the task of managing the firm effectively its position is likely to remain unchallenged but, if the firm is not doing well, family members may be subject to very considerable pressure from shareholders and employees. Many of the suggestions offered above to the managements of businesses remaining under family ownership will apply in these organisations but, because of the more tenuous nature of the control exercised by the family, particular care will have to be taken to ensure that only those members of the family competent to carry out

managerial roles are employed in the business. Indeed, such family members might well have to perform their roles in a particularly able manner in order to avoid criticism of nepotism from their colleagues. Despite the continued existence of family dynasties in many large organisations, changes in social values are likely to result in this form of family leadership being less acceptable in the future.

4. Family firms evolving into more formal concerns

Some family concerns (e.g. London Printers) will have no intention of evolving into more formal concerns - they will intend to continue operating in very much the same way for the foreseeable future. Others, however, may make a conscious decision to go formal and the interesting question arises: when?

Some family firms are forced to evolve into more formal businesses. For example, in order to stay in business they may have to purchase new plant whose expense is beyond their financial resources. As was discussed in relation to Udy's model in the previous chapter, the introduction of outside finance may well begin a whole series of events changing the nature of the organisation. When management becomes responsible to outside shareholders and not solely to members of a family, it may find reasons offered for low profitability and growth are less acceptable than they were in the past. Such pressure may lead the firm to move into new markets and to recruit technologists and managers in order to obtain the maximum possible benefits from the investment in new plant. These 'new men' are far less likely to accept family domination and traditional patterns of authority than the old-established employees of the firm. The new employees may be frustrated because things are not developing as fast as they would wish and newly-recruited managers may find they have little real authority in the firm. On the other hand, those employees

with long service may resent the intrusion of outsiders 'throwing their weight around', not be at all content with the quality of work undertaken and yearn for 'the good old days'. Such a situation is likely to be stressful for all concerned and many of the potential benefits to be gained from more advanced technology or entry into new markets may be missed because of lack of cohesion in the social system of the firm.

In other cases, owners may recognise that rapid changes are taking place in the environment in which their firms operate and that their organisations must change in order to survive. They may perceive the need to introduce a share option scheme for senior managers, for example, and recognise that this may not be very effective unless it is linked to publicly-quoted shares. They might realise that the firm's traditional source of recruitment - school leavers - was unable to provide a supply of top managers capable of dealing with problems involved in the introduction of advanced technology, and the company did not offer attractive career opportunities for graduates. The main advocates for such changes are likely to be occupying boundary roles, for they would tend to be more aware than their colleagues of developments taking place amongst customers and competitors. The family business operating with advanced technology in a market-oriented situation would be particularly sensitive to such developments being highly dependent for its success on scientific, technological, marketing and managerial expertise. No family could provide the number of such specialists that will be required as technology develops and, consequently, the enterprise would not remain as a family business for very many years. Where the family is likely to lose control, it is important that this is realised at an early stage so that the evolution of the business into a more formal concern can be planned. This requires the owners of family businesses to look realistically at the competence of family members in

management posts and to assess the performance of the business in relation to similar firms in the industry. They will also have to keep abreast of the developments of their competitors. When it becomes obvious that the firm is not doing well - e.g. return on capital (in relation to other firms in the industry) is low, no growth is taking place, able young people are not remaining in its employment - then the wisdom of continuing as a family operation should be questioned. Because of the management succession pattern in many family businesses, however, where frequently the chief executive (often reluctant to share decision-making) remains in his post for twenty years or more,[11] it sometimes takes a long time before the decision that the firm should evolve into a more formal business is taken and implemented. Even then, the owners are frequently unaware of some of the long-term implications of their decision. They may decide to go to the public for finance, for example, and believe that as long as they hold perhaps 20 per cent of the voting equity they will be able to maintain control. As was mentioned above, however, in such cases the family shareholding is likely to become dispersed over the years and a family which decides that its firm will evolve into a more formal concern must accept the fact that this means that one day the family will no longer control it.

The family firm which has decided to evolve into a more formal business concern would do well to consider using an outside adviser such as a management consultant or a social scientist with appropriate experience. If he has gained experience in advising other firms which have undergone similar transitions, the consultant may well be very useful in helping the company to avoid some of the difficulties faced by others in their situation and also in pointing out some of the consequences of change which they might not anticipate.[12] Precisely because

he is not a member of the family or an employee of the firm, the outside adviser can also take an independent viewpoint and say things which might be extremely difficult - if not impossible - for someone already employed in the concern. Case studies of such intervention have been provided by Sofer[13] and Beckhard.[14]

For the family business undergoing this process of transition into a more formal concern, the following factors deserve special attention:

(a) Organisation Structure

As the firm develops, problems of co-ordination become acute. More advanced technology, for example, may lead to jobs becoming fragmented and interdependent. Difficulties may also be faced in obtaining maximum value from the introduction of new management functions such as personnel or marketing for members of the management team will not be used to working with such specialists. An organisation structure is needed which will separate the functions of ownership and management, cope adequately with the task to be achieved, and be capable - within an appropriate time-scale - of responding to change. In the absence of 'the family' as an integrating factor, the new structure must provide some other basis for integration. The specific nature of the organisation structure to be adopted will depend upon the technology concerned, markets served, and so on.

It will, however, normally depend upon rational-legal rather than traditional authority for its effectiveness and will call for many changes. In the case of the family firm, probably the greatest challenge facing management in attempting to evolve into a more formal business concern will be the need to overcome some of the beliefs, attitudes and role-expectations of those involved. As Bennis has pointed out:

> " .... the only viable way to change organisations is to change their 'culture', that is, to change the systems within which people work and live. A 'culture' is a way of life, a system of beliefs and values, an accepted form of interaction and relating" (15)

The reluctance of people in the firm to deal with anyone other than the owners when they require a decision, for example, will have to be overcome. The expectation that the longest-serving employee will be promoted will need to be questioned. Such developments will require time and it may take years before any significant changes take effect.

What may be found useful - particularly in the early transitional stages - are job descriptions defining responsibilities and limits of authority. These clarify the individual's role, making him aware of the responsibilities of others and act as an 'anchor' in a confusing and constantly changing situation. Job descriptions, however, should not restrict the initiative or discretion of individuals and must avoid too narrow a functional or departmental outlook.

If the new structure is to succeed, members of the family owning the business must be punctilious in following their own job descriptions. If they are approached by an employee not directly under their control, for example, they should tactfully refer the enquiry to the manager concerned. In other words, they must show that they really do intend to change the nature of the authority pattern in the firm from the traditional to the rational-legal. It is, of course, much easier to suggest this course of action than it is to carry it out. It will be a rare family member in, say, the sales director's role, who will not be very tempted to use his traditional authority to deal with a production problem holding up a customer's order. If, however, the new structure is to operate effectively, the family members concerned will need to ensure that they do not take advantage of their family membership within the firm. The creation of such a new structure also provides a useful opportunity for the owners

of a business to make their plans for its future operation more generally known. The need for the new organisation can be explained and the ways in which vacant posts will be filled can also be made known.

Many of these suggestions correspond closely to Weber's[16] notion of the ideal type of bureaucracy, whose place in the light of Burns' and Stalker's[17] findings (see pages 76–77) may be questioned in the modern industrial state. It is believed, however, that when a family firm is evolving into a more formal concern, it is important to build a management structure which is capable of responding to change but, at the same time, frees people from the anxiety and stress which accompanies ambiguity and uncertainty in organisational relationships. Such a structure should also help to overcome some of the problems that may be encountered in changing the communications network of the firm. As J. M. Jackson has pointed out:

> "I can think of nothing which would facilitate more the free and accurate flow of communication in an organisation than consensus about questions of work, authority, prestige and status relationships" (18)

Such a structure should be seen as a stage in organisational development which may at some later date be abandoned in favour of a more flexible and less prescriptive type. Some family firms do move directly to a more diffuse authority pattern by becoming (often under the direction of an authoritarian paterfamilias) some form of participative democracy (e.g. the Scott Bader Commonwealth[19] and the John Lewis Partnership[20]). Such a transition may be bewildering to those concerned, however, and result in acute problems particularly when the chief executive leaves the organisation. In the view of the present writer, the transition from traditional to rational-legal authority (which can be explained and supported by organisation charts and job descriptions) is likely to be much more easily accomplished.

(b) Management

It may be recalled that Weinshall[21] suggests (see page 74) that when an organisation changes its organisation structure this may only be accomplished successfully if it is accompanied by the introduction of new people into senior management posts. His view is that the chief executive who is used to making most decisions himself may be temperamentally unsuited to sharing the management of the concern with others and, in practice, would not delegate authority and responsibility to his subordinates. This is clearly a somewhat extreme view, but it is important for the management of a family business undergoing change to appreciate that their roles will be different in the future and changes in management style will be called for.

Top management in the business should make it clear that they genuinely intend to share the management of the firm in the future. It can be pointed out that all appointments in the company (including those to the board of directors) will be open to the most suitable candidates regardless of whether or not they were members of 'the family', existing employees, or outsiders. Those appointed to the board should be welcomed into the boardroom by the 'family' directors who should make it apparent that they expect their new colleagues to take an active part in the running of the business. In other words, they should not regard the non-family directors as people who owe their advancement in life to the kindness of the family, but as colleagues who have earned the right to contribute at the highest level in the organisation. For this integration of the non-family members into the board to be effective, it will obviously be essential that they are provided with all the information regarding company affairs that other directors receive and that there is no suspicion of any family groupings in the boardroom. Sofer has suggested the use of consultants in the selection procedure for management posts in family firms under-

going such transitions.[22] Such a practice helps to confirm the intention of the owners to be objective and helps to ensure that family members are not unduly favoured or discriminated against. (The same writer also proposes that independent career counselling should be made available to younger members of the family who, if necessary, should be given financial assistance to train for their chosen career.)[23]

As more and more outsiders are recruited into the firm, the organisational climate will alter. Many of the newcomers will have quite different attitudes to the firm, its products and its owners from those held by long-established employees, and many of the traditional practices that have always been accepted in the past will begin to be questioned. A family member who holds a senior post in the firm, for example, and does very little work, will almost certainly attract adverse comment. The newcomers may also require the objectives of the business to be made explicit and be intolerant of situations where the economic good of the family takes precedence over the economic good of the firm.

The long-term survival of the firm will begin to depend more and more upon some systematic form of management development. No longer will it be possible to rely on the family owning the business to provide a supply of managers - the firm will have to develop its own. If it wishes to recruit able people from outside it will, of course, be important that its policy on the selection of people for all management posts is known and believed to be practised. It may also be a useful device for the firm's personnel policy to require <u>all</u> employees to retire at a certain age.

(c) <u>Communication</u>

Due to a combination of the comparatively small size of units, the tendency for employees to have long service with the firm, and the frequent intense interest of owners in 'their' workforces, family businesses usually have a pattern of pleasant

informal, relationships. In some cases such an informal system can cope adequately with work matters (e.g. as at London Printers) whereas in others (e.g. Scottish Press) it proves to be inadequate. As the family firm evolves into a more formal concern the problems of co-ordination and communication are likely to increase and some system of passing information will have to be instituted.

When introducing such a system one must take care to respect the feelings of old-established employees of the firm, who may have gained considerable satisfaction in the past from reporting directly to the owners. If the new organisational structure is to function effectively, it may require them to report to a manager who will pass on such information as is necessary to the chief executive. One can ameliorate this situation to some extent by recognising its existence and providing some training in inter-personal skills for managers.

Conclusions

Etzioni has described how:

> "In contrast to earlier societies, modern society has placed a high moral value on rationality, effectiveness, and efficiency. Modern civilisation depends largely on organisations as the most rational and efficient form of social grouping known. By co-ordinating a large number of human actions, the organisation creates a powerful social tool. It combines its personnel with its resources, weaving together leaders, experts, workers, machines, and raw materials. At the same time it continually evaluates how well it is performing and tries to adjust itself accordingly in order to achieve its goals. As we shall see, all this allows organisations to serve the various needs of society and its citizens more efficiently than smaller and more natural human groupings, such as families, friendship groups, and communities" (24)

This unprecedented growth in the number of such social units has attracted considerable attention from a variety of writers. Whilst acknowledging some of the economic benefits that organisations have achieved, some writers are concerned

about the threat which such institutions imply for individual freedom and individualism. This view has been well expressed by Bertrand Russell who said:

> "Mankind decided that it would submit to monotony and tedium in order to diminish the threat of starvation" (25)

Governments are concerned at the power wielded by some very large organisations and take action to curb their activities (cf. the recent legislation in the United States directed at IBM).[26]

In some respects, therefore, the passing of the family firm and its replacement by more specialised units is to be regretted. As in the technological sphere many people criticise diesel trains and jet aircraft and point to the advantages of their predecessors, undoubtedly many who work in formal organisations will look back with affection to the days of working in a family business. If we are to survive as a nation and to compete successfully in international markets, however, it will be necessary for our social organisations to match the sophistication of the technologies involved. Consequently in order to survive as business organisations, most family firms will have to evolve into more formal concerns. The suggestions contained in this chapter should be of some assistance to such enterprises in accomplishing this transition.

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APPENDICES

APPENDIX A

LETTER TO CHIEF EXECUTIVES

INVITING THEM TO TAKE PART IN THE STUDY

With the support of a government grant the Research Unit of this College has, for the past two years, been carrying out a study of management and organisation in the printing industry. Both the British Federation of Master Printers and the industry's Economic Development Committee are being kept informed on the progress of this work.

In order to advance the study further, we are now anxious to expand our sample of firms in the industry and we would welcome an opportunity to visit you to explore the possibility of conducting a study in your Company. Briefly, such a study would involved an hour or so of each manager's or overseer's time and we would hope to complete the work within one week. Normally in return for granting us research facilities, we provide the chief executive and all who take part with a report of our findings.

I very much hope it will be possible for us to meet in order to discuss this and I look forward to hearing from you.

Bernard Barry

APPENDIX B

DRAFT LETTER TO EMPLOYEES

With the support of government funds, a study is being conducted into the problems of organisation and communication faced by small but growing business concerns by the Research Unit of Ashridge Management College, a non-profit making college of management education.

A member of the research team, Bernard Barry, will be visiting ..... Limited during the week commencing ..... in order to interview all members of management and supervision who agree to take part in the study. These interviews will be strictly confidential, but a report on the study giving the findings in general terms will be made available to me and all who take part.

Whilst every encouragement is being given to this project by senior management, the interviews will be on a purely voluntary basis. I hope that you will agree to assist.

Managing Director

Case No. _____
(Do not punch)

ASHRIDGE MANAGEMENT COLLEGE

STUDY OF SMALLER ENTERPRISES

INTERVIEW SCHEDULE

PART I PERSONAL DETAILS

Ring numbers or enter values in boxes as appropriate

1. INVESTIGATOR: _____	1. Col. 1	☐
2. FIRM: _____	1. Cols. 2-4	☐☐☐
3. RESPONDENT: _____	1. Cols. 5-7	☐☐☐
4. DESIGNATION: _____	1. Col. 8	☐
5. DEPARTMENT:		
a) General Management	1.9/	0
b) Administration		1
c) Production Management		2
d) Production Services		3
e) Sales		4
f) Marketing		5
g) Engineering		6
h) Personnel		7
i) Work Study or O & M		8
j) Other		9

Case No. _____ (Do not punch)

6. SEX :

a)	Male	1.10 /	0
b)	Female		1

7. AGE : 1. Cols. 11-12 [ ][ ]

8. What sort of school did you attend?

a)	Elementary/Secondary Modern	1.13 /	0
b)	Grammar		1
c)	Secondary Technical		2
d)	Comprehensive		3
e)	Public/Independent		4
f)	Other		5

9. At what age did you finish full time education? 1. Cols. 14-15 [ ][ ]

10. Would you give me details of any formal educational qualifications you may have obtained? (N.B. Code Highest Obtained)

a)	R.S.A.	1.16 /	0
b)	'O' level		1
c)	City & Guilds		2
d)	'A' level		3
e)	Prof. 1		4
f)	O.N.C.		5
g)	H.N.C.		6
h)	Prof. 2		7
i)	Degree		8
j)	None		9
k)	Other		L

Case No. _____
(Do not punch)

11. Have you served an apprenticeship?

a) A craft apprenticeship in this industry	1.17 /	0
b) A craft apprenticeship in another industry		1
c) Another type of apprenticeship in this industry		2
d) Another type of apprenticeship in another industry		3
e) No		4

12. Have you undergone any formal management training? 1.18 / 0 NO 1 YES

13. If you have undergone any formal management training, was this :

a) As a management trainee within the firm	1.19 /	0
b) Other in-firm management training		1
c) At a Polytechnic, College of Technology, Technical College, or F. E. College		2
d) At an independent Management College		3
e) At a University or C.A.T.		4
f) Under the auspices of a professional body other than at (c)		5
g) Any other		6
h) Does not apply		7

14. Was this management training:

a) Part-time day release	1.20 /	0
b) Evening classes		1
c) A one week course (or less)		2
d) A short course (more than one week but less than one year)		3
e) A sandwich course		4
f) A full-time course (one academic year or more)		5
g) Does not apply		6

Case No. _____
(Do not punch)

15. For how many years have you been working in this particular company?

1. Cols. 21-22 [ ][ ]

16. For how many years have you been working in this industry?

1. Cols. 23-24 [ ][ ]

17. Is (or was) your father, or an uncle, employed in this firm or in this industry?

1.25 /

a) In this firm 0
b) In another firm in this industry 1
c) Not in this industry 2

18. If your father, or an uncle, was engaged in this industry, what did he do?

1.26 /

code: a) A member of the family owning the firm 0
b) A manager/foreman/overseer/supervisor 1
c) A craftsman of the industry 2
d) Other 3
e) Does not apply 4

19. Do you talk directly to the firm's customers?

1.27 /

0 YES
1 NO

Case No. _____
(Do not punch)

PART II PERCEPTION OF THE ORGANISATION

Respondents to be shown blank organisation chart representing that segment of the organisation in which he works.

Introduction: I want to find out where you fit into the organisation. The best way to do this is to ask you to fill in some names on this blank organisation chart.

a) First, I would like you to fill in your own name in the box in the middle, labelled "YOU".

b) Secondly, I would like you to fill in, in the box above that, the name of your immediate supervisor, the person who controls your work and to whom you report direct.

c) Next, in the box at the top, write in the name of the person your immediate supervisor reports to.

d) Next, in the boxes at the bottom, write in the names of any people whose work you supervise and who report direct to you.

e) In the boxes on either side of the one in which you have entered your own name, write in the names of any people who also report directly to ..... (name given in answer to (b))

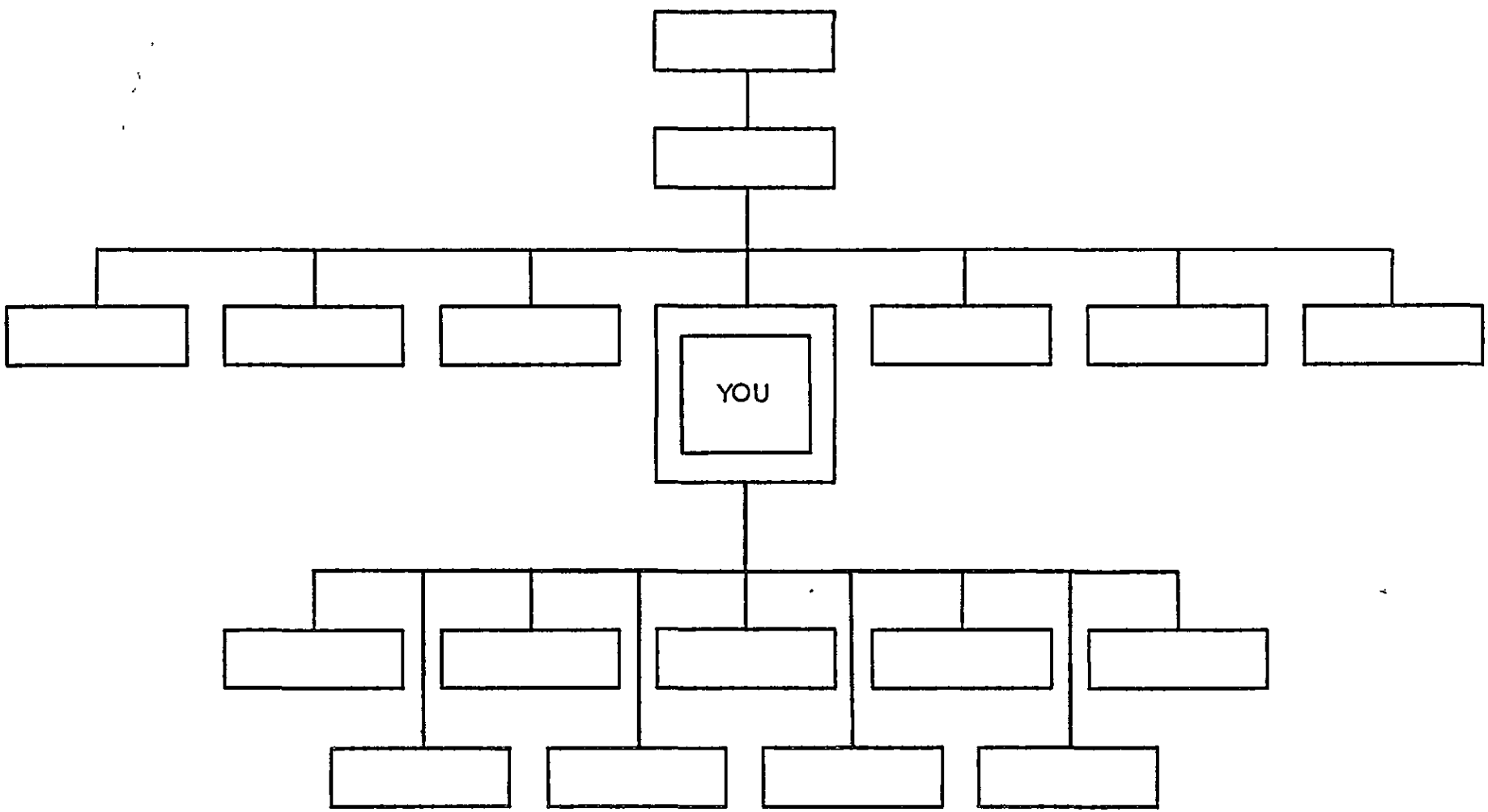
Retrieve Chart and ask :

f) Which of the people reporting to your immediate boss are at the same level in the organisation as yourself (write A against their names)

Which are at a higher level (write B against their names)

Which are at a lower level (write C against their names)

Case No. _____
(Do not punch)



Case No. _____
(Do not punch)

PART III COMMUNICATIONS NETWORK

Introduction: Now I know where you fit into the organisation, I would like to find out which people you have to deal with frequently in the course of your work.

Some actions you will take on your own initiative, whilst others will be based on instructions or information that you receive from other people in the firm.

First, I would like to know the names of all the people to whom you give instructions or information to help them do their work.

Secondly, I would like to know the names of all the people who give you such instructions or information in order that you may carry out your job.

Finally, I would like to know what form this communication takes, that is, is it mainly through:

Verbal contact	Type 1
Written notes	Type 2
Both	Type 3

		TYPE	NUMBER
1.	_____	☐	☐☐☐
2.	_____	☐	☐☐☐
3.	_____	☐	☐☐☐
4.	_____	☐	☐☐☐
5.	_____	☐	☐☐☐
6.	_____	☐	☐☐☐

Case No. _____
(Do not punch)

		TYPE	NUMBER
7.	_____	☐	☐☐☐
8.	_____	☐	☐☐☐
9.	_____	☐	☐☐☐
10.	_____	☐	☐☐☐
11.	_____	☐	☐☐☐
12.	_____	☐	☐☐☐
13.	_____	☐	☐☐☐
14.	_____	☐	☐☐☐
15.	_____	☐	☐☐☐
16.	_____	☐	☐☐☐
17.	_____	☐	☐☐☐
18.	_____	☐	☐☐☐
19.	_____	☐	☐☐☐
20.	_____	☐	☐☐☐

Case No. _____
(Do not punch)

		TYPE	NUMBER
21.	_____	☐	☐☐☐
22.	_____	☐	☐☐☐
23.	_____	☐	☐☐☐
24.	_____	☐	☐☐☐
25.	_____	☐	☐☐☐
26.	_____	☐	☐☐☐
27.	_____	☐	☐☐☐
28.	_____	☐	☐☐☐
29.	_____	☐	☐☐☐
30.	_____	☐	☐☐☐
31.	_____	☐	☐☐☐
32.	_____	☐	☐☐☐
33.	_____	☐	☐☐☐
34.	_____	☐	☐☐☐

Case No. _____
(Do not punch)

		TYPE	NUMBER
35.	_____	☐	☐☐☐
36.	_____	☐	☐☐☐
37.	_____	☐	☐☐☐
38.	_____	☐	☐☐☐
39.	_____	☐	☐☐☐
40.	_____	☐	☐☐☐
41.	_____	☐	☐☐☐
42.	_____	☐	☐☐☐
43.	_____	☐	☐☐☐
44.	_____	☐	☐☐☐
45.	_____	☐	☐☐☐
46.	_____	☐	☐☐☐
47.	_____	☐	☐☐☐
48.	_____	☐	☐☐☐

Case No. _____
(Do not punch)

		TYPE	NUMBER
49.	_____	☐	☐☐☐
50.	_____	☐	☐☐☐

Case No. _____ (Do not punch)

PART IV SELF-COMPLETION SECTION

Respondent's Code

Please tick the appropriate answer

20. How far do you feel you are "in the picture" with regard to what is happening in the firm?

a)	I am completely in the picture	1.30/ 0	
b)	I feel I know most of what goes on	1.30/ 1	
c)	I feel I know only some of the picture	1.30/ 2	
d)	I feel I am left in the dark about many things	1.30/ 3	
e)	I feel I am left completely in the dark	1.30/ 4	

21. Of the various possible sources listed below, which three do you find are the best and most reliable ways of getting information about what is going on in the firm?

a)	Papers and circulars addressed to you	1.32/ 0	
b)	The notice board	1.32/ 1	
c)	Your boss	1.32/ 2	
d)	Your colleagues in the same department	1.32/ 3	
e)	Your subordinates	1.32/ 4	
f)	Colleagues in other departments	1.32/ 5	
g)	Meetings which you attend	1.32/ 6	
h)	The grapevine	1.32/ 7	
i)	Friends in other firms	1.32/ 8	
j)	Trade press	1.32/ 9	
k)	Local press	1.33/ 0	
l)	Trade unions	1.33/ 1	

Case No. _____
(Do not punch)

Respondent's Code

Please tick the appropriate answer

22. How easy do you find it to get the information you need to do your job properly?

a)	I have no difficulty in getting all the information I need	1.35/0 ☐
b)	I have some difficulty in getting all the information I need	1.35/1 ☐
c)	I have a great deal of difficulty in getting all the information I need	1.35/2 ☐

23. How often do the instructions you get from different sources conflict with each other?

a)	They are always conflicting	1.37/0 ☐
b)	They are often conflicting	1.37/1 ☐
c)	They are seldom conflicting	1.37/2 ☐
d)	They are never conflicting	1.37/3 ☐

24. If you had an idea which would make the job more efficient, how easy would it be to get people above you to listen to you?

a)	It would be very easy	1.39/0 ☐
b)	It would be quite easy	1.39/1 ☐
c)	It would not be very easy	1.39/2 ☐
d)	It would be very difficult	1.39/3 ☐

Case No. _____
(Do not punch)

Respondent's Code
Please tick the appropriate answer

25. Assuming you did put an idea before your senior management, what is the likelihood that it would be acted upon?

a)	Very likely	1.41/0	
b)	Quite likely	1.41/1	
c)	Not very likely	1.41/2	
d)	Most unlikely	1.41/3	

26. Here is a list of some of the possible priorities that senior managers may pay attention to. Please read through the list and then indicate the three priorities which senior management pay MOST attention to in this firm.

a)	Saving the firm money	1.43/0	
b)	Meeting customer requirements	1.43/1	
c)	Making the firm more efficient	1.43/2	
d)	Utilising manpower resources to the full	1.43/3	
e)	Building up the firm's reputation	1.43/4	
f)	Competing for prestige customers	1.43/5	
g)	Creating a good atmosphere in the firm	1.43/6	
h)	Fighting for the interests of their own staff	1.43/7	
i)	Getting the work done the best way	1.43/8	
j)	Considering the welfare of employees	1.43/9	
k)	Making life easier for the office	1.44/0	
l)	Keeping their own position secure	1.44/1	
m)	Developing abilities of employees	1.44/2	
n)	Fighting for positions of power	1.44/3	
o)	Competing with other departments for more resources	1.44/4	

Case No. _____
(Do not punch)

Respondent's Code

Please tick the appropriate answer

27. The descriptions below apply to four different types of management. Which type do you prefer?

Management A — 1.46/ 0 ☐

Makes a decision promptly and communicates it to subordinates clearly and firmly. Subordinates are expected to carry it out loyally and without raising difficulties.

Management B — 1.46/ 1 ☐

Makes a decision promptly but then tries to get staff to agree to it before going ahead. Management believes in carrying staff with it rather than issuing orders.

Management C — 1.46/ 2 ☐

Does not reach a decision until subordinates have been consulted. Their advice is listened to, weighed, and then a decision is announced. Management then expects all to work loyally to implement it, irrespective of whether or not it is in accordance with the advice they gave.

Management D — 1.46/ 3 ☐

Calls a meeting of all staff whenever there is an important decision to take. Management lays the problem before the group and invites discussion. Accepts the majority viewpoint as the decision.

If your preference is not met by any of those types of management described above, put a tick in this box. — 1.46/ 4 ☐

Case No. _____
(Do not punch)

Respondent's Code

Please tick the appropriate answer

28. Having indicated which type of management you prefer, would you now indicate below the type of management which most closely corresponds to that in this firm.

Management A	1.48/ 0	
Management B	1.48/ 1	
Management C	1.48/ 2	
Management D	1.48/ 3	
Another type of management	1.48/ 4	

29. If you are a manager, would you now indicate which type of management you adopt with regard to your subordinates?

Management A	1.50/ 0	
Management B	1.50/ 1	
Management C	1.50/ 2	
Management D	1.50/ 3	
Another type of management	1.50/ 4	
Does not apply	1.50/ 5	

30. Considering the organisational changes that have taken place in this firm over the last year or two, have they, in your opinion, resulted in the firm being:

a) much more efficient	1.52/ 0	
b) more efficient	1.52/ 1	
c) as efficient as before	1.52/ 2	
d) less efficient	1.52/ 3	
e) much less efficient	1.52/ 4	

Case No. _____ (Do not punch)

Respondent's Code

Please tick the appropriate answer

31. Considering the organisational changes that have taken place in this firm over the last year or two, have they, in your opinion, resulted in the firm being:

a)	a much more pleasant place to work in	1.54/ 0	
b)	a more pleasant place to work in	1.54/ 1	
c)	as pleasant a place to work in as before	1.54/ 2	
d)	a less pleasant place to work in	1.54/ 3	
e)	a much less pleasant place to work in	1.54/ 4	

32. How do you like your particular job?

a)	I like it very much indeed	1.56/ 0	
b)	I like it a good deal	1.56/ 1	
c)	I like it fairly well	1.56/ 2	
d)	I am indifferent about it	1.56/ 3	
e)	I dislike it	1.56/ 4	

33. How satisfied are you with this firm as an employer?

a)	I am very satisfied indeed	1.58/ 0	
b)	I am quite well satisfied	1.58/ 1	
c)	I am only moderately satisfied	1.58/ 2	
d)	I am dissatisfied	1.58/ 3	
e)	I am very dissatisfied indeed	1.58/ 4	

34. Do you intend to be working with this firm in 5 years' time?

Yes	160/ 0	
No	160/ 1	
Don't know	160/ 2	

Case No. _____
(Do not punch)

Reasons for responses to attitude questions

Introduction: It will help me to understand your answers if we can go through them and you tell me why you have answered as you have done.

20(a) Why did you give the answer _____ to Question 20

_____

_____

_____

22(a) Why did you give the answer _____ to Question 22

_____

_____

_____

23(a) Why did you give the answer _____ to Question 23

_____

_____

_____

24(a) Why did you give the answer _____ to Question 24

_____

_____

_____

25(a) Why did you give the answer _____ to Question 25

_____

_____

_____

30(a) Why did you give the answer _____ to Question 30

_____

_____

_____

Case No. _____
(Do not punch)

31(a) Why did you give the answer _____ to Question 31

_____

_____

_____

Before going to Question 32, ask:

Which do you consider to have been the most signifant changes in the company over the last year or two?

_____

_____

_____

32(a) Why did you give the answer _____ to Question 32

_____

_____

_____

33(a) Why did you give the answer _____ to Question 33

_____

_____

_____

At Question 34, ask:

What job do you see yourself doing in five to ten years' time?

_____

_____

_____

Case No. _____
(Do not punch)

35. Do you think that because this is a family firm it differs in the way it operates from other companies?

Case No. _____
(Do not punch)

PART V NOTES ON FINAL NON-DIRECTED SESSION

APPENDIX D

ASHRIDGE MANAGEMENT COLLEGE

STUDY OF SMALLER ENTERPRISES

1. FINANCE CODE NO. [ ]

	1964	1965	1966	1967	1968
(i) *Capital employed each year					
(ii) *Pre-tax, pre-interest profit each year (i.e. operating profit)					
(iii) Gross turnover each year					

* Please see notes on last page

APPENDIX D

2. TECHNOLOGY CODE NO. [ ]

Expenditure on new plant each year	1964	1965	1966	1967	1968
(i) Letterpress					
(ii) Litho					
(iii) Other					
Cost of hiring plant each year	**1964**	**1965**	**1966**	**1967**	**1968**
(i) Letterpress					
(ii) Litho					
(iii) Other					

APPENDIX D

3. PERSONNEL CODE NO. [ ]

Total number of employees as at 1st January each year		1964	1965	1966	1967	1968
(i) Staff (including executive directors and managers)	MALE					
	FEMALE					
(ii) Hourly paid employees	MALE					
	FEMALE					

APPENDIX D

4. TECHNOLOGICAL DEVELOPMENTS

CODE NO. [ ]

During the past few years, several technological developments have taken place in the printing industry. In order that we may assess the extent to which these are being adopted, will you please indicate if your firm has adopted any of the following and, if so, whether this was before or after 1st January, 1964.

	YES	NO	IF YES, WAS THIS ADOPTED: BEFORE 1964	AFTER 1964
1 Computer typesetting				
2 Teletype setting				
3 Filmsetting				
4 Direct impression setting				
5 Photo-composition				
6 Electronic colour scanning				
7 Sheet-fed rotary letterpress				
8 Web offset				
9 Perfect binding				
10 Draw-on-cover flow line binders				
11 Automatic collators				
12 High speed folding machines				
13 Programmed guillotines				
14 Inserting machines				
15 Gathering/stitching lines				
16 Electronic control equipment				
17 Facsimile transmission				
Others. Please specify:				

APPENDIX D

5. FUTURE TECHNOLOGICAL DEVELOPMENTS

CODE NO. [ ]

Do you have any plans to adopt any of the following developments within the next five years? If possible, would you please indicate which.

	YES
1 Computer typesetting	
2 Teletype setting	
3 Filmsetting	
4 Direct impression setting	
5 Photo-composition	
6 Electronic colour scanning	
7 Sheet-fed rotary letterpress	
8 Web offset	
9 Perfect binding	
10 Draw-on-cover flow line binders	
11 Automatic collators	
12 High speed folding machines	
13 Programmed guillotines	
14 Inserting machines	
15 Gathering/stitching lines	
16 Electronic control equipment	
17 Facsimile transmission	
Other possible developments:	

APPENDIX D

6. NOTES

CODE NO. [ ]

(i) Capital employed should include:

(a) all issued share and loan capital;

(b) all amounts set aside as reserves, or provisions for liabilities not due in the short term (e.g. future taxation provisions, staff funds, etc.);

(c) minority interests in the capital and reserves of subsidiary companies;

(d) bank overdrafts;

but exclude:

goodwill and any other intangible assets (e.g. capital issue expenses carried forward).

(ii) Pre-tax, pre-interest profit

Profits from trading including interest received, but after deducting such annual charges as depreciation on assets. Loan interest, taxation, dividends and minority interests in profits and dividends should not be deducted.

APPENDIX E

ASHRIDGE MANAGEMENT COLLEGE

Management Style and Organisation Structure

in the Smaller Enterprise

JACKSONS LIMITED

1. INTRODUCTION

Ashridge Management College, which is a non-profit making teaching institution, established a Research Department in 1964 to study a wide range of management problems. This department now consists of nine professional staff who are carrying out three major projects with support of funds from the Social Science Research Council and the Foundation for Management Education.

Although two thirds of employees in British manufacturing industry work in firms employing less than 1,000 employees, relatively little systematic research has been carried out in firms of this size. This gap in management research has had a considerable influence on the College research programme and one of the first projects to be undertaken was a study of organisation and communications problems in smaller enterprises in the printing industry. The preliminary findings of the first three years' research will be published by Longmans Green in book form this Autumn.

This investigation involved some comparative studies of small firms and the tentative conclusions reached from these led the research team to pose a number of questions for further research. Some of these concern the relevance of current theories of management and organisation to the problems of small businesses in established industries with strong craft traditions, whilst others are of more general interest, e.g.

(a) Are people able to describe the leadership style of the senior management group and can any connection be established between different styles of leadership and the efficiency of the firm?

(b) To what extent does the way in which people agree of disagree with one another in defining their organisational relationships correlate with the profitability or rate of growth of the firm, or the general level of morale of those involved?

(c) Are firms in which a relatively high proportion of managers and supervisors follow similar occupations to their fathers or uncles more or less effective than those in which most managers and supervisors are the first members of their families to work in the industry?

(d) Is there a relationship between job satisfaction or commitment to the company and profitability, or its rate of growth?

(e) What influence do such factors as size, geographical location, history and stage of development of the firm, have on its organisational structure?

In an attempt to answer some of these questions the investigators, with the support of a grant from the Social Science Research Council, are currently engaged in carrying out studies in some twenty-five firms in the printing industry. These will be followed by further studies in two other industries which are undergoing rapid social, economic and technological changes.

Research Objectives

Although the principal object of this study is to add further data towards the formulation of a more satisfactory theory of industrial organisation by the research team, it is hoped that the results obtained will also be of interest to the firms taking part in the study.

This report is based on part of the material obtained from interviews held with members of management and supervision who agreed to co-operate. A major objective in setting out the information we received has been to preserve the anonymity we promised respondents.

Reports on the first topics dealt with in the interviews, viz. the perceptions of the organisational framework and the communications network we have omitted, as the data is essentially comparative and meaningless as part of a report on one firm. This information will be included in the further report that will be sent to your company at the end of this year giving results from all the firms studied in the printing industry.

The present report gives a summary of the responses to the attitude questions which formed part of the investigation.

II. COMMUNICATIONS

Question 1 How far do you feel you are 'in the picture' with regard to what is happening in the firm?

		No.	%
(a)	I am completely in the picture	1	3
(b)	I feel I know most of what goes on	17	51
(c)	I feel I know only some of the picture	14	42
(d)	I feel I am left in the dark about many things	1	3
(e)	I feel I am left completely in the dark	-	-
		33	99

Although slightly more than half of those interviewed claimed that they were either 'completely in the picture' or 'knew most of what goes on', it should be noted that 45% had less favourable attitudes regarding the way in which they were kept informed on events in the firm. The latter, who were mainly junior members of the management team, complained that they were sometimes the last people in the firm to hear of developments that were going to take place. In particular, respondents in sales and administrative departments mentioned that they were not kept informed on technical advances.

As perhaps might be expected, the usefulness of the senior staff meetings was perceived very differently depending upon whether or not respondents attended these. Those who did, generally found them most useful in obtaining information about what was happening in the firm and its plans for the future. The people who did not attend, on the other hand, tended to be critical about the time spent and of some of the subjects discussed Some favourable comments were made about the annual overseers conference.

The 'sources of information' listed in the next question describe different kinds of communication, e.g. formal communications ('the notice board,'meetings you attend'), informal communications ('colleagues in other departments', 'the grapevine'), and external sources of information ('the press'). Although it is essential for a firm to establish clearly defined formal channels of communication, it should be remembered that informal communications can also contribute towards an effectively functioning organisation.

Similarly, although vertical communications, i.e. boss to subordinate and vice versa, are important, recent research in industry has found that horizontal communications, e.g. between colleagues and people in different departments, have a vital part to play, particularly in relation to the need for co-ordination as work flows through the factory.

Question 2 Of the various possible sources listed below, which THREE do you find are the best and most reliable way of getting information about what is going on in the firm?

		No.
(a)	Papers and circulars addressed to you	13
(b)	The notice board	5
(c)	Your boss	27
(d)	Your colleagues in the same department	9
(e)	Your subordinates	2
(f)	Colleagues in other departments	15
(g)	Meetings which you attend	13
(h)	The grapevine	14
(i)	Friends in other firms	-
(j)	Trade Press	-
(k)	Local Press	-
(l)	Trade Unions	1
		99

As all but six of those interviewed nominated the boss as being one of the best and most reliable sources of information in the firm, and as this category attracted substantially more nominations than any other, it would appear that the formal chain of command plays an important part in the communication network of the Company. The six men who did not include their boss in their selection included one senior manager and were evenly divided between production and sales/administration departments.

Despite the emphasis on formal channels of communication, informal communications were by no means disregarded. 'The grapevine' was chosen by fourteen respondents, for example, and was the third most popular choice. (Further analysis here shows that all but one of these fourteen were junior managers). It was also considered that respondents might possibly consider 'the grapevine' and 'colleagues in other departments' as being synonymous, but this does not appear to be the case in that of the fourteen choosing the former, nine also included the latter.

Question 3 How easy do you find it to get the information you need to do your job properly?

		No.	%
(a)	I have no difficulty in getting all the information I need	14	42
(b)	I have some difficulty in getting all the information I need	19	57
(c)	I have a great deal of difficulty in getting all the information I need	-	-
		33	99

Several interesting comments were made in response to this question by the nineteen people who claimed to experience 'some difficulty' in getting all the information they needed to do their jobs.

The main problem area - one frequently met by the research team in printing firms - concerned communications between Production and Sales departments. Production personnel complained of incomplete information on work bags and one explained that as he was not allowed to deal directly with members of the Sales department, this sometimes made it difficult for him to obtain precise information. Several respondents in the Sales department, on the other hand, complained that they were not supposed to go directly to members of production management with queries and this resulted in their not being kept fully aware of the progress of their orders. Some sales personnel were critical about the lack of sales orientation amongst production staff and felt that the reason why they were not informed of delays to orders and so on was due to the fact that the latter were 'shielded' from the customer and, therefore, failed to appreciate the problems faced by the salesmen.

Although, as the replies to Question 2 indicate, some respondents attempted to overcome any delays that might occur due to observing the formal channels of communication by making use of informal contacts, they believed that this would be disapproved of by senior management. Two respondents considered that this was because some senior managers might feel their positions threatened if their subordinates were getting in touch with other people without them knowing.

Some of those interviewed also complained of the tendency of some senior managers to deal with jobs which - in their opinion - could best be dealt with by their subordinates. This, they reported, led to a situation where senior managers would sometimes go direct to overseers and thus 'middle' managers were not kept fully informed.

Four respondents commented that there was too much reliance placed on verbal communication in the firm and pointed to the advantages of written forms of communication.

Question 4 How often do the instructions you get from different sources conflict with each other?

		No.	%
(a)	They are always conflicting	-	-
(b)	They are often conflicting	9	27
(c)	They are seldom conflicting	20	60
(d)	They are never conflicting	2	6
	Did not reply	2	6
		33	99

Six of the nine men who claimed that the instructions they received were 'often conflicting' were on the staff of the Works Director; two were in Sales and the other was in an administrative department.

Three main reasons were given for these conflicting instructions. One was the tendency for senior management to ask a number of people to solve the same problem and for the latter to pass on differing directions to overseers. Some respondents referred to the overlap of responsibility between the Works Manager and the Production Controller. One respondent spoke of the difficulties caused because "our two (sic) directors have conflicting views and give conflicting statements".

Question 5 If you had an idea which would make the job more efficient, how easy would it be to get people above you to listen to you?

		No.	%
(a)	It would be very easy	15	45
(b)	It would be quite easy	15	45
(c)	It would not be very easy	2	6
(d)	It would be very difficult	-	-
	Did not reply	1	3
		33	99

Question 6 Assuming you did put an idea before your senior management, what is the likelihood that it would be acted upon?

		No.	%
(a)	It would be very likely	9	27
(b)	It would be quite likely	22	66
(c)	It would not be very likely	1	3
(d)	It would be most unlikely	-	-
	Did not reply	1	3
		33	99

The responses to questions five and six are very similar. It can be seen that 90% of those interviewed felt that senior management was approachable and open to suggestions and rather more believed that such suggestions would be likely to be acted upon. Respondents spoke in glowing terms of the availability of the chief executive and explained how they could go and see him at any time without the formality of making an appointment. The two people who claimed that it 'would not be very easy' to get people above them to listen to their suggestions were in Production departments and both reported to the same boss. The one man who thought that if he did put a suggestion before senior management that it would be unlikely to be acted upon, was located in the Sales department.

III. MANAGERIAL PRIORITIES

Question 7 Here is a list of some of the possible priorities that senior managers may pay attention to. Please read through the list and then indicate the THREE priorities which senior management pay MOST attention to in this firm.

		No.
(a)	Saving the firm money	12
(b)	Meeting customer requirements	27
(c)	Making the firm more efficient	18
(d)	Utilising manpower resources to the full	13
(e)	Building up the firm's reputation	6
(f)	Competing for prestige customers	1
(g)	Creating a good atmosphere in the firm	5
(h)	Fighting for the interests of their own staff	-
(i)	Getting the work done the best way	11
(j)	Considering the welfare of employees	1
(k)	Making life easier for the office	-
(l)	Keeping their own position secure	1
(m)	Developing abilities of employees	3
(n)	Fighting for positions of power	-
(o)	Competing with other departments for more resources	1
		99

'Meeting customer requirements' clearly emerges as the priority which respondents considered that senior management paid most attention to. The other two items attracting a large number of nominations being 'making the firm more efficient' and 'utilising manpower resources to the full'.

Analysis of the responses to this question show that those from senior and junior management, sales and other departments, follow the same general trend. The only exception, in fact, was for those in administration departments to rate 'saving the firm money' as their first priority.

IV. LEADERSHIP STYLE

This section of the report is concerned with the answers to a series of questions on managerial styles of leadership. In the original questionnaire four styles of leadership were described. No 'labels' were associated with these styles in the questionnaire but, for convenience, they can be referred to as:

A - Autocratic

B - Persuasive

C - Consultative

D - Participative

People were first asked to state which of these four styles of management they preferred. Secondly, they were invited to say which type corresponded most closely with the management of their own firm. (If they felt that their own firm's management did not correspond at all closely with any of the four types, they could respond by ticking 'Another type of management'). Finally, those respondents who are managers were asked to say which, if any, of the four styles of management they adopted when dealing with their own subordinates.

The full implications of replies to these questions will become clear when all the firms in our sample have been studied and it has been possible to correlate people's attitudes to leadership with other data. In particular, it will be of interest to see whether there is any consistent relationship between the dominant style of leadership in a firm and its degree of commercial success. In the meantime, the results for this Company are set out below. In interpreting these, it may be helpful first to know some of the conclusions that have emerged from our studies of leadership styles in other industries. These are as follows:

1 The four descriptions of leadership styles are meaningful to people in that the vast majority are able to express a clear preference for one of them.

2 The consultative style is most often preferred.

3 Most people are able to describe their own managers in terms of one of the four styles. Approximately one in four, however, believe that their managers exercise some other style. Although, on average, three fifths of people interviewed express a preference for the consultative approach, only one in four believe that their managers actually use this style.

4 In general, managers who use any one of the four styles described in the questionnaire - autocratic, persuasive, consultative or participative - are more effective in promoting confidence and satisfaction among subordinates than managers who are seen as using some other approach.

5 There is some evidence to suggest that among the four styles of leadership, the consultative is the most effective.

Question 8 The descriptions below apply to four difference types of management. Which type do you prefer?

	No.	%
Management A Makes a decision promptly and communicates it to subordinates clearly and firmly. Subordinates are expected to carry it out loyally and without raising difficulties.	5	15
Management B Makes a decision promptly, but then tries to get staff to agree to it before going ahead. Management believes in carrying staff with it rather than issuing orders.	7	21
Management C Does not reach a decision until subordinates have been consulted. Their advice is listened to, weighed and then a decision is announced. Management then expects all to work loyally to implement it, irrespective of whether or not it is in accordance with the advice they gave.	16	48
Management D Calls a meeting of all staff whenever there is an important decision to take. Management lays the problem before the group and invites discussion. Accepts the majority viewpoint as the decision.	4	12
If your preference is not met by any of those types of management described above, put a tick in this box.	1	3
	33	99

Question 9 Would you now indicate the type of management which most closely corresponds to that in this firm?

	No.	%
Management A	2	6
Management B	11	33
Management C	10	30
Management D	6	18
Another type of management	4	12
	33	99

Question 10 If you are a manager, would you now indicate which type of management you adopt with regard to your subordinates?

	No.	%
Management A	5	15
Management B	5	15
Management C	10	30
Management D	-	-
Another type of management	1	3
Does not apply	12	36
	33	99

Although 48% of respondents expressed a preference for the Consultative style (Management C), only 30% thought this style to operate within the Company. In practice, those interviewed found the Persuasive (Management B) and the Consultative (Management C) to be the most frequently adopted management styles.

Further analysis of the responses to question eight shows that those preferring the Autocratic style (Management A) were mainly in Production departments and were generally older than other respondents. Those preferring the Participative style (Management D) were evenly divided between Sales and Production departments and, with one exception, were under fifty years of age.

As might be expected, when the responses to non-managers were excluded from the analysis of question eight, the results corresponded almost exactly to the replies to question ten. Thus managers saw themselves as adopting their preferred style of management towards their subordinates, although it should be noted that whilst five managers saw themselves as adopting the Autocratic style (Management A), only two of their subordinates perceived them as so doing.

Many of those interviewed expressed the opinion that the Company was much too lax in its dealings with its shop floor employees. It was alleged that workers could do almost anything they liked and that there was no firm policy in relation to discipline. Middle and junior managers were reluctant to take a stand on an issue because they believed that if an appeal went to top management, they would not be given support. Some respondents suggested that top management would prefer to offend a member of the staff than they would a shop floor employee.

V. ORGANISATIONAL CHANGE

The responses to the following questions reflect respondents impressions about general changes in the firm, not necessarily changes in which they have been personally involved.

Question 11 Considering the organisational changes that have taken place in this firm over the last year or two, have they, in your opinion, resulted in the firm being:

		No.	%
(a)	much more efficient	5	15
(b)	more efficient	22	66
(c)	as efficient as before	6	18
(d)	less efficient	-	-
(e)	much less efficient	-	-
		33	99

Question 12 Considering the organisational changes that have taken place in this firm over the last year or two, have they, in your opinion, resulted in the firm being:

		No.	%
(a)	a much more pleasant place to work in	3	9
(b)	a more pleasant place to work in	4	12
(c)	as pleasant a place to work in as before	23	69
(d)	a less pleasant place to work in	2	6
(e)	a much less pleasant place to work in	-	-
	Did not reply	1	3
		33	99

After answering these questions, respondents were asked:

> "Which do you consider have been the most significant changes in the Company over the last year or two?"

Replies to this question indicate that, whilst most of those seen had in mind the formation of the Sales department and the division of responsibilities between that department and the factory, two or three others had quite different changes in mind, e.g. the move to the new premises, the entry into new markets and the purchase of new plant.

The general attitudes of those interviewed towards the changes that had taken place were favourable. 81% believed the firm to be 'much more efficient', or 'more efficient', and all but two respondents considered it to be 'as pleasant', or 'more pleasant', a place to work in than previously.

Complaints were made about the difficulties involved in getting things done now that more people were involved in decision making.

VI. JOB SATISFACTION AND COMPANY COMMITMENT

These figures, which attempt to assess the levels of job satisfaction and commitment to the firm, require interpretation.

High scores on question thirteen, for example, refer to the satisfaction gained from doing the job rather than the context in which it is carried out. On the other hand, low scores on question fourteen may indicate different sources of dissatisfaction, not all of which may run contrary to the firm's objectives (e.g. tensions within a department, desire for promotion). It should also be borne in mind that high levels of satisfaction may indicate complacency.

In question fifteen an attempt has been made to assess the extent to which people intend to remain in the organisation. It should be remembered that it is quite possible for someone to have a high level of job satisfaction, be well pleased with the firm as an employer, yet feel that his career will best be advanced by moving to another firm within a few years.

Question 13 How do you like your particular job?

		No.	%
(a)	I like it very much indeed	21	63
(b)	I like it a good deal	9	27
(c)	I like it fairly well	3	9
(d)	I am indifferent about it	-	-
(e)	I dislike it	-	-
		33	99

With 90% of respondents claiming to like their jobs 'very much indeed' or 'a good deal', job satisfaction in the Company was at a remarkably high level. Respondents spoke in glowing terms of the variety of work encountered in their jobs; the free and easy atmosphere and the trust that was placed in them by senior management.

The three people who said that they liked their jobs 'fairly well' were all in production - two of them in the same department. One was unhappy about his ambiguous position in the firm; another resented the pressures placed on him by production schedules and the third - an old established employee of the Company - lamented that the 'atmosphere was not what is was'.

Question 14 How satisfied are you with this firm as an employer?

		No.	%
(a)	I am very satisfied indeed	20	60
(b)	I am quite well satisfied	13	39
(c)	I am only moderately satisfied	-	-
(d)	I am dissatisfied	-	-
(e)	I am very dissatisfied indeed	-	-
		33	99

Satisfaction with the firm as an employer was also at an extremely high level. Most respondents felt that it would not be possible to get "better bosses" and spoke with pride of how the latter always addressed them by their christian names. Many referred to the degree of community feeling in the firm and to the fact that they felt they were working for people and not just a financial interest. The phrase "not just a cog in the wheel here" was used by many to describe how they felt their employment at Jacksons Limited differed from similar employment in a larger organisation.

A few respondents believed that top management was somewhat paternalistic and did not really appreciate the financial problems that some of their subordinates faced. In particular, some adverse comments were made regarding pension arrangements. That their feelings were not particularly serious, however, is indicated by the figures above.

Question 15 Do you expect to be working with this firm in 5 years' time?

	No.	%
Yes	23	69
No	4	12
Don't know	6	18
	33	99

Nearly 70% of those interviewed intended to remain in the employment of the Company. Of the four people who did not expect to be working for the firm in five years' time, three were retiring and one was setting up his own business. The six people who were uncertain regarding their future with Jacksons Limited were generally keen to obtain promotion and, if advancement in the firm was not forthcoming, they intended to go elsewhere.

VII. DISCUSSION

Over the years many changes have taken place in the firm and, in general, those interviewed gave the impression that they were proud of the developments that have taken place and of having been associated with them. Some respondents, however, although fully appreciating the need for change, spoke nostalgically of the "good old days" when the firm was more of "a family" and complained that "the atmosphere is not what it was".

The process of growth probably has reduced the amount of contact that junior managers have with the chief executive and called for a more systematic division of responsibilites. Details of our analysis of the communications network and of respondents' perception of the organisation will be sent to the Company at a later date, but it should be noted that respondents did mention some problems in these areas. Some, for example, spoke of overlapping chains of authority and of how nobody really knows who does what. One man explained that it was unwise to complain about anything, because this usually led to increases in responsibility with no further help to carry out the additional duties. Another said that one's job might expand but, in the absence of job specifications, other people in the firm might be reluctant to accept such changes.

There was also a distinct feeling amongst respondents that perhaps the firm was too indulgent. The lack of a definite policy of discipline has already been mentioned and there is little doubt that this was regarded as a serious omission by junior management. The latter felt that the Directors were far too lax in their dealings with the Unions and that top management was inconsistent in the ways in which it dealt with breaches of factory rules.

To date, most of the management team have been promoted within the Company and there was an interesting ambivalence towards 'outsiders' being recruited to fill management posts. Some regarded the infusion of outsiders as being most necessary, whilst others saw it as a further breakdown of the community spirit in the firm. Again, with respect to technological changes, one or two feared these as they believed that their lack of formal educational attainments would preclude them from jobs associated with such developments, whilst others believed that the firm would provide appropriate training. Those respondents outside production departments tended to be critical of the emphasis in the firm on technical experience.

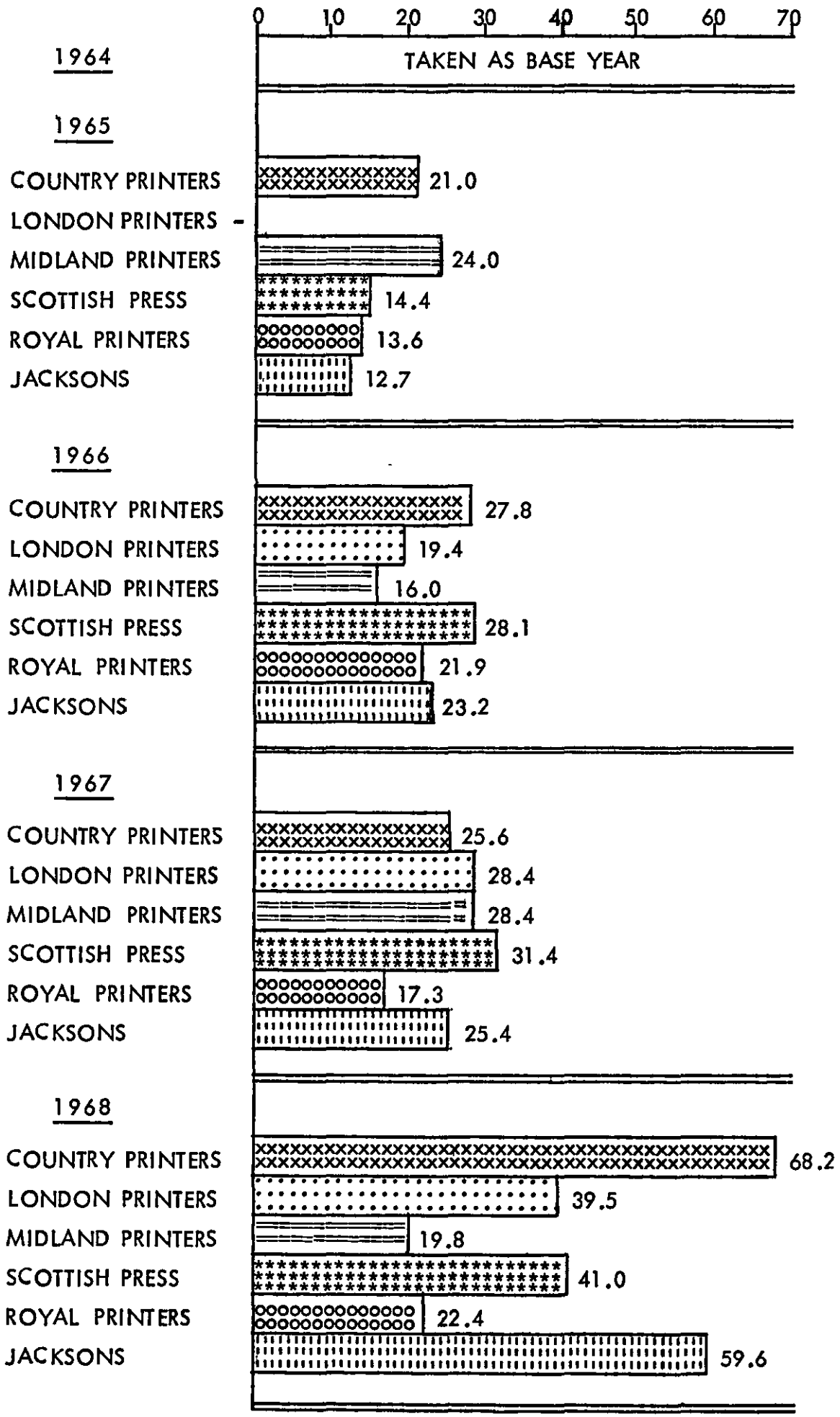
In general, those interviewed were proud of working for Jacksons Limited, happy in their jobs and expressed few complaints. The firm was unique amongst those visited to date by the research team in the importance that top management attributed to the individual, and this interest was generally reciprocated in the loyalty that members of management and supervision expressed. As one said, "Would go through thick and thin for them if necessary".

The research team would like to thank all those who took part in the study for their most willing co-operation.

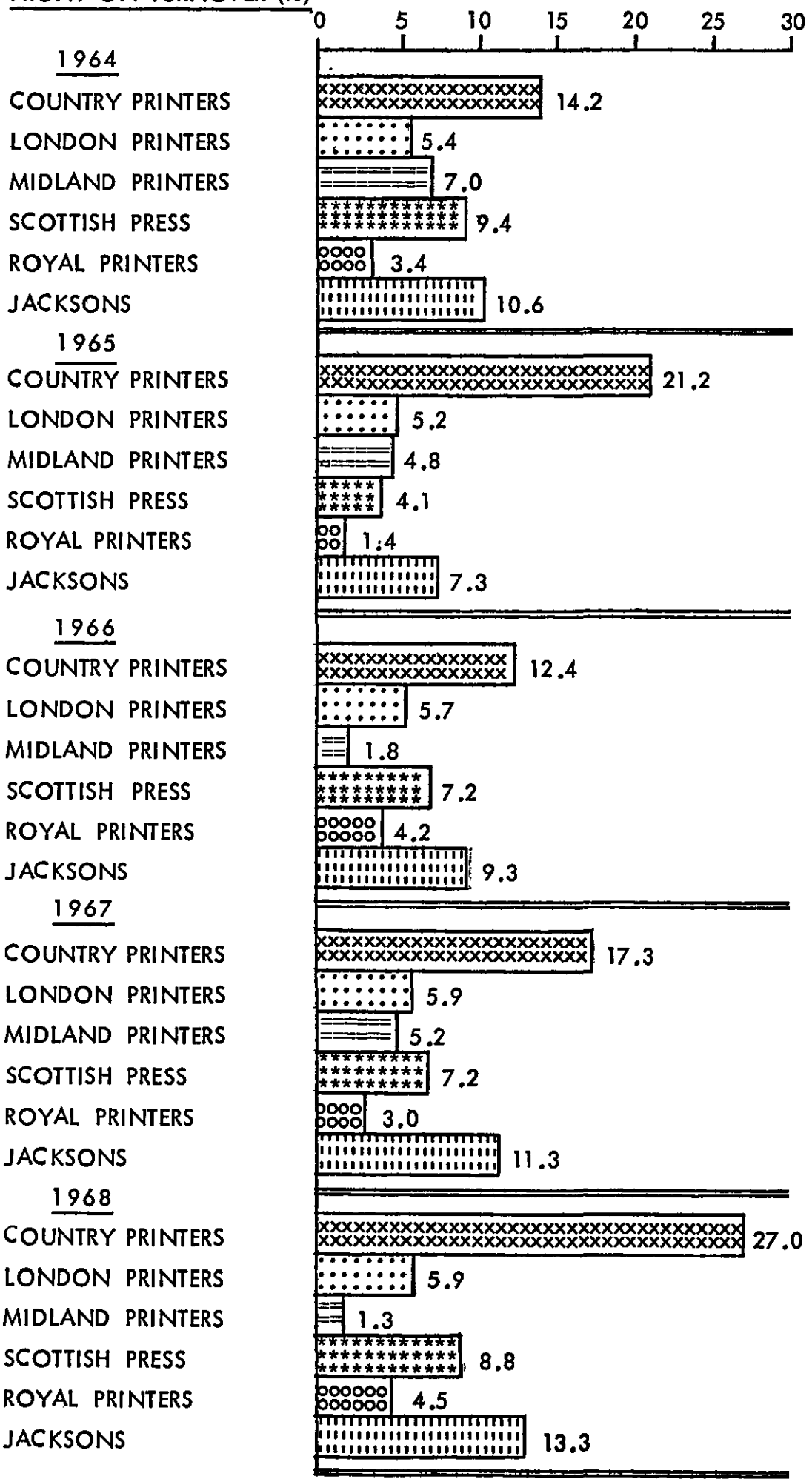
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APPENDIX F

RATE OF GROWTH OF TURNOVER (%)



APPENDIX G


PROFIT ON TURNOVER (%)
0
5
10
15
20
25
30
1964
COUNTRY PRINTERS
14.2
LONDON PRINTERS
5.4
MIDLAND PRINTERS
7.0
SCOTTISH PRESS
9.4
ROYAL PRINTERS
3.4
JACKSONS
10.6
1965
COUNTRY PRINTERS
21.2
LONDON PRINTERS
5.2
MIDLAND PRINTERS
4.8
SCOTTISH PRESS
4.1
ROYAL PRINTERS
1.4
JACKSONS
7.3
1966
COUNTRY PRINTERS
12.4
LONDON PRINTERS
5.7
MIDLAND PRINTERS
1.8
SCOTTISH PRESS
7.2
ROYAL PRINTERS
4.2
JACKSONS
9.3
1967
COUNTRY PRINTERS
17.3
LONDON PRINTERS
5.9
MIDLAND PRINTERS
5.2
SCOTTISH PRESS
7.2
ROYAL PRINTERS
3.0
JACKSONS
11.3
1968
COUNTRY PRINTERS
27.0
LONDON PRINTERS
5.9
MIDLAND PRINTERS
1.3
SCOTTISH PRESS
8.8
ROYAL PRINTERS
4.5
JACKSONS
13.3