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**THE EMERGENCE OF A NEW CAPITALIST ETHIC: TRANSFORMTIONAL
LEADERSHIP AND THE CIVIL SOCIETY MOVEMENT AS EMERGENT
PARADIGMS AFFECTING ORGANIZATIONAL
AND SOCIETAL TRANSFORMATION**

THESIS

**Presented to the Graduate Council of the
University of North Texas in Partial
Fulfillment of the Requirements**

For the Degree of

MASTER OF ARTS

By

Jon D. Cordas

Denton, Texas

December, 1997

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Rapid and chaotic changes in market environments have caused business organizations to modify their organizational structures and social relationships. This paper examines the change in relationship between management and employees, which is shifting from an adversarial and controlling role to facilitation and employee empowerment. This paper's research question concerns how classical sociological theory would explain power redistribution within organizations and the formation of an associative and collaborative relationship which contradicts traditional paradigms.

Traditional bureaucratic and contemporary organizational forms are compared and contrasted. Organizational climate, psycho-social components of underlying assumptions and group ethics are seen to be the mechanisms impelling transformation. Organizational change is driven by an emerging secular ethic. This ethic is embodied in an applied model of leadership and examined as an ideal type. The common ethic impelling organizational change is seen to be the same as that causing social transformation in both national and international spheres.

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CHAPTER 1

INTRODUCTION AND STATEMENT OF RESEARCH PROBLEM

At the end of the twentieth century, traditional bureaucratic business organizations are in crisis. Unprecedented forces of change are destabilizing the U.S. business climate and forcing a reevaluation of how business should be conducted. Some of the change forces that are impacting business are: emerging and fragmenting markets, technological innovation, and increasing levels of domestic and international competition (Tucker, 1991; Galbraith & Lawler, 1993; Morrison, 1996). In addition, the rise of the service sector and knowledge work (the creation, storage, dissemination and utilization of information) requires an atmosphere of innovation and creativity that is inhibited by traditional organizational forms. Exacerbating these economic forces of change are social movements reacting to some of the dissonant problems of modernity long noted by social theorists. All of these forces provide incentive for business organizations to question traditional forms and attempt new organizing paradigms in order to more effectively compete in an unstable environment (Miles & Snow, 1986). New organizational forms, consequently, lead to the emergence of new cultural values, roles and social relationships within the organization. This thesis will use classical sociological theory and methodology to explain both how and why social relationships change during

organizational transformation.

While the previously mentioned change forces impel organizational change, a primary change force giving great impetus to this process is found in the area of time-driven competition (Stalk & Hout, 1990). The introduction of new production processes and information and communication technologies into many industries have radically reduced the amount of time it takes to design, manufacture, and distribute goods and services (cycle time).

Examples and subsequent competitive implications of reduced cycle times can be presented for both manufacturing and service sectors. For instance, General Electric reduced development time of custom circuit breakers from three weeks to three days. Motorola advanced custom pager design and programming from three weeks to two hours. The industry standard for home loan approval in the 1970s was six weeks. In 1989, Citicorp Mortgage Inc. introduced a computerized approval system called MortgagePower Plus, which reduced loan approval time to fifteen minutes (Tucker, 1991).

The marked decline in cycle time and time to market has forced strategic planning in many industries to compress in scope from two years to six months. An accelerated strategic timetable requires modification of traditional analysis and response methodologies and mechanisms. Faced with responding to the radical time compression in a manner necessary to survive, much less gain competitive advantage in the face of change, many large companies are being forced to modify traditional business systems, structures and philosophies. Increased time

compression also increases the need for functional interdependence, since departmental resources and processes must be more quickly and effectively mobilized and coordinated (Magnet, 1994; James, 1996). Traditional decision-making processes, communication channels, and departmental and functional boundaries have proved unresponsive when faced with massive rates of change. Consequently, workteams have been created in many businesses in order to move decision making, problem solving and functional interaction down to lower levels of the organizational structure. This has led to a reduction in the need for the tactical coordination provided by middle management and a subsequent flattening of the organizational form through the downsizing of middle management. The flattened organizational form, based on functional workteams, attempts to provide a more flexible, agile and innovative response to change (Boyett, 1995).

For many years, the production output of workteams at most companies proved to be a disappointment. Lacking interpersonal training and genuine empowerment to make decisions and allocate resources, most teams were nothing more than workers placed into groups and grafted onto the traditional bureaucratic structure, in which the organizational culture resisted employee training and failed to nurture creativity and innovation. The more successful team-based organizations found that workteams were effective only when all facets of the organization were modified to develop and facilitate this new social form. The most radical transition concerned the role of management. Management had to shift its role from providing direction and control to providing facilitation to team members, in order to enable

them to work most effectively. This change in management represents an historic emergence of a new social relationship in the workplace, requiring fundamental changes in both organizational form, processes and culture. These radical changes are representative and embodiment of a newly emerging ethic within the workplace.

The research question of this thesis will examine this emergent ethic, primarily in terms of changes in social relationships. The central question is: How are the changes in social relationship occurring in business organizations and in society as a whole explainable in light of historical sociological theory. Why are these changes occurring and what new mechanisms are producing radical societal transformation.

CHAPTER 2

LITERATURE REVIEW

This rather lengthily literature review will examine the nature of the social relationship as defined in classical sociological theory and the influences that modify the social relationship in a social environment. After describing the elements of both social relationships and the classical theoretical view of the marketplace, the elements composing the organizational climate are considered. Traditional bureaucratic and contemporary organizational forms are compared and contrasted and the influence of organizational climate in the shaping of behavior is addressed. In addition to organizational climate, the changing psycho-social components of underlying assumptions and group ethics are seen to provide the three major social forces impelling organizational transformation. The theoretical concepts representing the new management/ employee relationship will be placed in a concrete model of leadership and examined as an ideal type. Finally, the social forces impelling organizational change will be seen to be the same forces causing social transformation in both national and international spheres.

Social Relationships in Modern Capitalism

This section defines the social relationship and reflects how both social and market relationships are portrayed in classical sociological theory. From this theoretical base, contemporary changes can be placed in context and theoretical models can be established in later sections.

In *Economy and Society*, Weber (1978) defines social action as an action that has an attached subjective meaning and an anticipation of another's response. The meaning of a social action may be of a pure type in which subjective meaning is attributed to an actor. Another approach to deriving the meaning of a social action is an empathetic or appreciative accuracy of rational understanding which is attained by sympathetically participating in the emotional context of which the action took place. Thus, through a process of derived meaning (motive), all social action considers the response of others. Weber saw social action as following a continuum of increasingly rational control. While traditional social action is largely instinctive (affectual, etc.), people working in concert could increase the predictability of another's behavior and consensually achieve social or economic objectives.

In a social relationship, there must be an explicit probability that a social action will occur. It always considers the meaningful, significant social action of the other. This process may be a case of mutual orientation which presumes an attitude or intent of the other. The more rational (*zwekrational*) the action the more likely the

similarity of the response. Through the increased rationality of predictably shared beliefs, courses of action are legitimized and validated, consolidating into shared values, then into ethics, and ultimately into forms of law, authority and domination.

Weber noted an increasing rationality in economically oriented action, from simple exchange to the structural foundations of modern capitalism. More specifically, as the pursuit of profit developed over time to include elements emerged such as the development of technical, social, and economic divisions of labor, market struggle between relatively autonomous units, an emphasis on the profit-potential of the individual, the reinvestment of profits, the “effective demand” of a market sector, organization of formally free labor, the separation of labor from the household, the separation of the corporation from private property, and the development of advanced systems of accounting (Weber, 1958). With the emergence of these social and historical factors, economic exchange increased in rationality and served as the structural foundations of modern capitalism, which was seen by Weber as the most rational of all social transactions. Indeed, the market (*Marktgemeinschaft*) itself is the *Gemeinschaft* based on the most rational kind of social action: association (*Vergesellschaft*) through exchange.

Conflict is inherent in the social actions of market exchange due to a struggle of interests between the various agents. This conflict of expedient self-interest leads to the formation of concerted action and shared belief systems, forming organizations and the systems of law, authority and domination. Weber notes both conflict (*kampf*) and power (*macht*) social relationships within economically

rationalized groups. Conflict relationships are intentionally oriented to carrying out the actor's own will against the resistance of another. Communal (*Vergemeinschaftung*) social relationships are based on the subjective feelings of the parties, whether from affect or tradition, that they belong together. There must be a common feeling about their situation and its consequences and that these feelings lead to a mutual orientation of behavior to each other. Associative (*Vergesellschaftung*) social relationships are based on rationally motivated adjustments of interests, whether based on absolute values or expediency. The communal and associative social relationships are reminiscent of the social relationships described by Durkheim (1933) that are observed in mechanical (communal) and organic (associative) societies

Power (*Macht*), like conflict, is the probability that the will of one actor will be exercised over the resistance of another. Domination (*Herrschaft*) is the probability that a given command will be carried out by a group of persons. Any organization with a staff is to some degree a dominating organization.

In addition to conflict and power forms of social relationships, authority and law are legitimated in social groups through a common orientation of values, ethics and norms. Domination relationships are legitimated in a legal -rational orientation that aligns agents into a body of action, the organization. Indeed, domination by virtue of the authoritarian power of command forms the basis of the large scale industrial organization.

The rationally organized and directed action (*Gesellschaftshandeln*) of the

modern corporation was held by Weber to be superior to every kind of collective behavior (*Massenhandeln*) or social action (*Gemeinshafthandeln*) that had preceded it. I note that many writers often oversimplify Webers organizational concepts into 'formal bureaucracy' or 'the differences between bureaucracy and charismatic domination' or 'an analysis of legitimate domination.' In fact, Weber differentiates a number of bureaucratic and modern organizational forms and underlying motivations in his writing. For example, a *Herrschaft* structure is formed consisting of superordinate and subordinate elements sustained by a variety of motives and means of enforcement. An 'organization is one enforcing a formal order' (*Ordnungsverband*) if its order merely guarantees, by means of formal rules, the autocephalous and autonomous economic activities of its members and the corresponding economic advantages thus acquired. Rather than reflecting pure motivations, obedience in modern organizations is seen to be a mixture of habit, self-interest and belief in legitimacy of command. The point is that although use of the ideal type portrays bureaucratic organizations to be an instrument that produces the highest degree of legal-rational behavior, in the community, each organization is infused with differing amounts of irrational elements and mixed motivation and thus must be approached as a unique system of social interactions.

Even though Weber writes extensively on the impact of ethics on social action, this behavior is ultimately seen to contribute to or impede the exercise of rationality. The explanatory mechanisms of Weber's organizational forms and social relationships are given another context when viewed in terms of a moral system. In

The Division of Labor in Society, Durkheim (1933) defines moral action as the behavior the individual makes for the benefit of the group. The challenge to the individual is to balance individual interests with moral action. Moral action becomes increasingly difficult in a modern organic society, where forces such as anomy and egoism erode collective cohesion and emphasize individuality and personal social isolation. For the most part, Durkheim rejected *laissez-faire* capitalism (and socialism) because they represented society in terms of an economic system. He saw society as primarily a *sui generis* moral entity.

The Division of Labor in Society (Durkheim, 1933) concerns the relation of the individual to social solidarity and examines the conditions forming the authority needed to establish determinant links for social behavior. Social structures of collective rational action, such as familial, religious and political institutions, were the transmitters of sociomoral rules, which provided the basis for the institutional collective conscience. Because the division of labor is more complex in a modern organic society than in a mechanical one, the individual has more choices and experiences both greater independence and greater dependence on society (Sadri & Strinchcombe, 1993). The organic social climate eviscerates socially constructed collective attributes of similarity, releasing individuals to choose their own loyalties and affiliations. Other transmitters of social values must emerge as the traditional agents of social cohesion decline in influence and effect. Durkheim saw the modern business organization as potentially fulfilling this function due to the increasing influence of the large corporation both in the lives of individuals and society as a

whole. He called for and predicted the emergence of a constructed moral code that would align the disparate ethics of the personal and professional spheres and provide foundational societal cohesion in a world of complexity.

As both economic rationality and personal dependence increased during the transition from an agrarian society to modern capitalism, the bureaucratic form emerged as the most instrumentally powerful force of legal-rational economic action. This form was to define and delimit all aspects of modern society.

Bureaucracy

Concerted social action in its most rational form produces the bureaucratic organization. Ultimately, bureaucracy replaces mutually oriented social action with rationally organized action. The widespread bureaucratization of many social sectors occurred in Europe in the late nineteenth century and in the United States after 1945. It is relevant to our research questions to examine bureaucracy because bureaucratic organizations became the predominant structure of modern capitalism and remain the predominant organizational form at the end of the twentieth century. It is thus important to recognize the impact and influence of the structural, cultural and cognitive constraints that the bureaucratic organization places on its members.

It is necessary to differentiate between the social effects elicited by the structure of bureaucracy and the effects caused by underlying relational values and

assumptions existing in the bureaucratic mindset. The nature and impact of underlying assumptions, which form the social cohesion foundational to organizational culture, will be considered in a later section. This section will present socially influential aspects of the bureaucratic structure. In order to later compare the bureaucratic organizational form with contemporary changes occurring in business, the bureaucratic elements will be divided into categories, these largely based on the works of Weber (1946, 1947, 1978) and Hummel (1994).

The bureaucratic form will be divided into and analyzed in three areas: (1) structure, (2) psychology and philosophy, and (3) cultural characteristics.

- Structure: The bureaucratic organizational form is characterized by six primary elements: (1) Rules and procedures control organizational functions, (2) a high degree of differentiation exists between functions, (3) the structure is organized into offices that are divided hierarchically, each with limited spheres of authority, and which are accountable to one higher-level office, (4) behavior is regulated through an emphasis on proscribed rules and implicit norms, (5) ownership and administration of an organization are separate, with placement in offices dependent on having special skill sets and abilities rather than favoritism, (6) all administrative acts are recorded in writing (Bowditch and Buono, 1994).

Bureaucracies are the most efficient and effective tools of domination, the concentrated exercise of power over others. This fact is not reflected in the popular impression that modern organizations have a responsibility to contribute to society as a whole and that these organizations are ruled by politics and limited by

government. In fact, bureaucratic organizations are control organizations which are increasingly ruling society, politics, and government. The dialogue and compromise inherent in politics is at odds with the bureaucratic mindset of conformity to existing standards and models. Bureaucracy thus attempts to replace politics with administration. Ultimately, both criticism and critical thinking are discouraged among organizational members. Because of the increased encroachment of bureaucracy into all human spheres, this dehumanizing tendency should be viewed with concern. As personal and social responsibilities are yielded to bureaucratic institutions, the potential ramifications for increased domination of all of society increases. Indeed, Weber (1924a) predicted that the bureaucratization of society would one day subdue capitalism as it had done in Antiquity.

- Psychology and Philosophy: As noted by Marx, the high division of labor and impersonality of bureaucratic organizations fragments the process of creating or providing goods and services, leading to personal alienation and the destruction of self by diminishing the individual's sense of self-mastery and personal contribution.

The cognitive processes that shape the reality of the bureaucratic climate do not take "common sense," emotion or personal experience into consideration. Logic is the defining standard of the bureaucratic mind, creating headless and soulless functionaries who perform explicitly stated and delineated directives. Reasoning becomes deductive, based on generalizations from precedents. All social exchanges are based upon and conform to analogous thought, in which reality is based on

conformity to a standard model. Thus all human experience is denied if not officially obtained and sanctioned. Because bureaucratic reality is so different from normal human experience, it is important to note how the redefinition of basic concepts, such as the nature of work itself and social interaction, affects the employee.

The duties, appropriate actions and assessed worth of employees are stated in a job description. Through rational calculation, every worker is reduced to a cog in the bureaucratic machine (Weber, 1924b). This process of dehumanization traps the bureaucrat in the organizational apparatus and chains them to activities defining their economic and ideological identity. Because job description and performance are so explicitly defined, the official can defer personal responsibility, conscience and guilt for their actions (superego function) and sharply divide personal from professional values.

In common social interactions, the expectations and meanings of the social act are assigned through mutually understood and interpreted messages and behaviors. Bureaucracy does not permit the individual to form meaning in this manner. The epistemology of bureaucracy is hierarchial, with the higher offices defining the propriety and meaning of action in a systematic, usually socially functional manner. In this process, conscience and mastery are removed from the personal psyche and redistributed in the division of labor and the organizational hierarchy. Thus, accountability becomes systemic, not personal. The individual is accountable only for their job description received from above. So in a sense, no work is done within a bureaucracy, only job behaviors are carried out. This is to say

that the deficiencies and inconsistencies not covered by the formal job description (and possibly necessary to address unique human situations) are considered “irrational” and “illogical” to the system and can not be formally considered. This then creates an inherent problem at the functionary/ client level in that rationally organized social action may be incompatible with goals requiring caring or personal human interactions.

- **Cultural Characteristics:** Efficiency and control are the two highest values held by the organization. Since offices are formally delineated, personal power is gained by establishing formal and informal intelligence and communication systems throughout the organization (Williams et al., 1983). Communication is top down with directives proceeding downward and information proceeding upward.

Bureaucracies insulate members from outsiders and concentrate their own power by developing jargon and redefining commonly used words in order to form a secret language. With the roles of speaker and listener predefined by management, the purpose of this power language is to shape and inform subordinates rather than induce genuine interactive communication.

The bureaucratic culture seeks to redefine social reality through rules, norms and speech patterns and this reality differs in many ways from common human experience. While humans view a wide range of needs in anticipation of future solutions, bureaucracy views a limited number of needs in terms of past solutions. The precedents on which bureaucracy is based create models of reality that conflict with experiences of reality. This dependence on past precedents causes the

organization to seek equilibrium, discouraging change and innovation.

The explicitly stated standards and norms of the organization confine the actions of group members, affecting how these members talk, act, think and relate to each other. Personality is replaced with an organizational identity. Persons outside the organization are not viewed and treated as human beings but as cases, whose condition must fall within explicit parameters in order to be acknowledged at all. Persons within the organization live in a constant state of tension caused by the variance of the individuals sense of self with the self created by the organization. This is seen when an employee is dismissed or quits the organization. The presence of former employees can create a heightened state of anxiety as they remove possessions or visit their old offices. These persons are outside of the social system and in many cases the dismissed employee is “invisible” to group members and is not acknowledged. Tension is also seen when the organizational culture is radically humanized. Behaviors and roles that were appropriate and necessary in the old bureaucracy, such as hatchetmen and political power players, are functionally pathologic in the new system. This is a reason that some bureaucrats, who identify too strongly with their corporate roles, are unable to function in new forms of organizations.

Another example of the disparity between bureaucratic reality and human experience is in the area of decision making. Bureaucracy views decision making as choosing between a few options in order to solve a clearly defined problem. The criteria used in defining both problems and solutions is measurability. The results

must be quantifiable or they are considered irrational and are not considered. Thus, neither problems nor solutions inherent in organizational standards may be reflective of human needs or experience.

In summation, the control processes of the bureaucratic organization constructs its own reality and thus redefines and shapes how individuals work, think, feel, and interact with others. The powerful forces of bureaucracy permeate the environment of business and must be completely replaced and transformed in order for work to be done in a different structure and using a different social relationship. Such transformed organizations represent emergent contemporary organizational forms

Contemporary Organizational Forms

This section compares and contrasts the traditional bureaucratic organizational form with emergent contemporary organizational structures. The same format of structure, psychology, and cultural characteristics is preserved to facilitate this process. Both bureaucratic and contemporary organizational structures and climate are seen to powerfully influence and shape the behavior of workers, although the instrumental approach and mechanisms used to accomplish this may differ.

Faced with increasing rates of change and competition, businesses are having

to question traditional practices and modify both the means and structure of doing business. Traditional bureaucratic organizations are a 19th century organizational form created to work well in a stable, predictable business environment (Hannan & Freeman, 1989). The decision-making, communications and functional coordination of bureaucracies have proved increasingly inadequate to respond to an increasingly destabilized market and environment.

The need to quickly coordinate functional elements led many business to initiate workteams to carry out project design and manufacture. These teams were for many years simply an addition to the existing bureaucratic structure, which retained traditional reward, evaluation, and communications systems as well as maintaining control of the resources needed to perform work. Without sufficient power, training, resources, or information, teams were largely ineffective.

Companies who had devoted large amounts of time and money to the team concept had to discover new methods of making this form of production effective, believing that the company's competitive future depended on this success. Every aspect of the organization was evaluated and many components of bureaucracy were rejected.

There are many problems inherent to the rejecting of the bureaucratic form. The major problems of transforming organizational structure are the adaptability and permanence of bureaucracy. Once a bureaucratic structure is established, it is virtually indestructible (Weber, 1978). Top officeholders come and go, yet the structure remains the same. Bureaucracies are self-perpetuating and adaptive to their environment, increasing their sphere of influence without changing their

structure. In addition to the problems imposed by the nature of bureaucracy, the weight of business tradition (doing business as usual) and well proven precedents greatly influence current concepts (Morrison, 1996). No organizational designer can start with a totally clean slate. Contemporary organizational forms, business systems and social relationships are largely without historical precedent, demanding that investors and managers risk and innovate, qualities repressed by bureaucracies. Thus with great reluctance and confusion, organizational pioneers have ventured into unknown territory, aligning the business to support a new way of working, the self-managing workteam. A central tenant in contemporary business is that all systems of the organization, such as reward, assessment, and information systems, as well as structure and management processes, are aligned to both support strategic goals and to facilitate the workteams in order to effectively enable production (Galbraith, 1987).

This section examines the changes that are occurring in contemporary organizations and how these vary from the traditional bureaucratic form, divided into the categories of structure, psychology and philosophy, and culture that were used in the preceding section. Central to this presentation is noting how structural changes are impacting and modifying social interactions.

Structural: Business structures must address two primary spheres, which may be called the strategic and the tactical. The strategic sphere deals with how the business relates to the environment, or elements external to the organization, encompassing factors such as market changes and positioning, competition,

suppliers, and legal, legislative and environmental restrictions. The tactical sphere deals with systems and procedures internal to the organization that serve to produce goods and services.

Most effective contemporary businesses retain a limited bureaucratic structure to perform strategic functions, and utilize workteams and their support systems to perform tactical functions. Although the team form has been tried by top management in some organizations, personality and political frictions render these largely ineffective. However, in addition to traditional formal meetings, patterns of informal and spontaneous executive interaction have emerged (Useem, 1978). These patterns of cross-functional and cross-divisional lateral communications are unusual in traditional bureaucracies (Schein, 1992) but appear to be a primary approach used to set strategic policies, goals, and to clarify the organizational mission.

The most significant structural changes are in the tactical sphere. Actual work in the organization, once done by assembly lines and isolated functional specialists, is performed in contemporary organizations forms by workteams. Workteams are broadly defined as a group of functional specialists whose interpersonal interactions are structured to achieve work goals. Work teams are distinguished from other groups of workers by possessing the characteristics of: (1) a shared awareness of interdependence as members strive toward mutual goals, (2) the need for interaction among members in order for work to be done, (3) member's awareness of who is and is not on the team (integration), and (4) members having specific roles and functions to perform in

order for the team to function effectively (Johnson & Johnson, 1994).

In addition to radical changes being made in how work is accomplished, radical change is also seen in management relationships with workers. Middle management, whose traditional responsibility has been tactical coordination and control, has largely been excised by “downsizing.” The decision making, control systems and project coordination functions have largely been moved to the lowest levels of the organization, the workteam. Managers in remaining middle management positions serve as expeditors and coordinators of resources and information needed by the workteam and also act as agents translating organizational goals and vision into relevant team activities (strategic to tactical translation). Supervisors, and line managers are incorporated directly into the employee team, serving to facilitate and coordinate the needs of the team and assist in problem-solving. Production metrics, process control, and employee evaluation, once the province of management, has been transferred to the self-managing team. Bureaucratic restrictions of control by rules and procedures is giving way to the synergistic flexibilities of team interactions and the implicit socially normative standards these produce. Thus the team itself is largely responsible for creating and performing the processes of production. The new responsibility of management is to insure that team members receive the resources, information and training necessary to accomplish their work.

Many of the social structures of bureaucracy, oriented to the evaluation, reward and control of individuals, were found to be counterproductive to group

cohesion and effectiveness. Team members performance is evaluated by their peers. Entire teams, not individual members, receive bonuses or other types of monetary rewards. In addition, new systems of intrinsic and non-monetary rewards have been created, such as awards, vacations, recognition, and social events, in order to increase employee motivation. Since contemporary and future forms of organizations will require a wide range of skills in addition to functional competence, selection and placement systems are being modified to insure a social as well as technical congruence and harmony in the organization's workteams (Galbraith and Lawler, 1993).

The discussion contained in the remainder of this section concerning organizational form and team development is based on the work of Galbraith (1991), Donnellon (1993), Lawler (1993), McMahan (1993), Meyers and Wilemon (1989), Mohrman (1993a and b), Mohrman and Cohen (1994), Schwarz (1994), Shipper and Mantz (1992), and Sundstrom et al. (1990). The increased empowerment and responsibility of team members requires a commitment by the organization to training and development. Extensive training in new technology, interpersonal communication, decision making, problem solving and conflict resolution is conventionally given to all team members. Functional cross-training is encouraged, with some businesses experimenting with a horizontal advancement system of skill development for promotions and pay raises, replacing the "ladder" of advancement climbed in the vertical organization. Employees are also trained to operate in team roles, such as facilitator, advocate, and leader, each of these vital to

team communication, decision making and problem solving processes.

The rapid proliferation of information and communication technologies has allowed new collaborative organizational forms to emerge. A workforce of functional specialists experienced in interpersonal skills, decision making and problem solving is proving to provide a flexible, responsive foundation that future business structures will build on. For example, virtual teams and virtual organizations are emergent structures in which the team members are geographically remote to one another. Projects may be completed by interacting electronically with specialists from around the world. Network organizations are a predicted future structure in which employees or teams from different companies fluidly come together or interact remotely to accomplish projects. This form serves to break down the boundaries of the single organization and share the resources of a potentially large number of businesses.

Contemporary business structures are an example of concerted social action in response to the chaos, uncertainty and anxiety of an increasingly unstable business environment. These forms are inherently less rational than bureaucratic structures, due to the diminishing of implicit directives and procedures, decentralized and diffused spheres of authority, and a reduction in the ability to dominate the individual worker through the imposition of a dehumanizing reality and self. Contemporary organizations appear more humanized and organic, based on values resistant to formal restraint, such as creativity and innovation. Most contemporary organizations are still in transition from bureaucratic structures and

the most innovative of companies are still experimenting with new business systems and social forms, and much experimentation is still required to form organizations that thrive on the chaos of change. Yet if the criteria for rationality demands the most effective and efficient organizational structure and social relationship that can compete profitably in the marketplace, the direction of contemporary organizational forms may indeed be more effective in meeting future challenges and may ultimately be more enduring than bureaucracy.

Cognition and philosophy: A primary characteristic of contemporary organizations is employee participation. This practice is seen in varying degrees in establishing the hygiene (working conditions), work processes and systems (procedures, goals), and strategic issues (goals, mission, vision) of the company. The employees largely construct the conditions, procedures, and rules of their daily work environment. Participation changes the nature of work, allowing response to customer's needs through the ability to flexibly revise procedures and work processes. Thus, although the contemporary business may impose a reality different than experiential reality and continue to be at odds with personal systems of morality or ethics, participation in the construction of that reality reduces the tension and anxiety that is seen in the imposed bureaucratic environment. Less explicit directives are needed in the contemporary organization because the employee, through the process of internalization, comes to see the decisions and procedures that they have contributed to as their own, thus more easily establishing these as group norms.

Participation in establishing procedures, working conditions, and organizational decisions and direction give the employee a greater feeling of enfranchisement in the organization and a greater buy-in to the decisions and norms of the company. A further sense of ownership and enfranchisement is elicited through profit-sharing, stock options, or outright employee ownership of the company. An increased sense of involvement can lead to greater productivity, an increased sense of personal and group responsibility and a view that management and employees are both striving toward common objectives. This increases the employees sense of organizational affiliation, social cohesion, and may potentially help to overcome the anxiety stemming from the alienation from the means of production (although I could not find business studies measuring this last point). Indeed, the realignment of relationships between management and employees, as well as the inherently social and actualizing activities of self-management and group dynamics, may go far to respond to the Marxist criticism of conflict and dehumanization in the economic sphere (although there will probably remain status and economic inequalities).

During the transition from traditional to contemporary organizational forms, certain manifestations of psychological conflict are commonly seen which can obstruct personal adaptation. The main conflicts take the forms of fear, threat to competency identity, and anxiety stemming from information overload and paradigm shift. Fear of change is a common human response, particularly when the individual has uncertainty of the outcome of the change process. Fear of change can

be overcome through information concerning direction, procedures and outcomes, training, testimonies of others who have experienced similar changes, and participation of the individual in the change itself.

Adults who are functionally proficient can identify their self-worth with the competency or status inherent in their professional position. Any procedural or technical change may be seen as not only a threat to competency, since the employee may not have the skill sets or technical knowledge to effectively work with a new technology or in a responsible group environment, but also as a threat to the individual's self-worth. This is a sensitive and important issue to address, since much resistance to change may be exhibited by the employee through a combination of fear and threat to competency identity. Threat to competency identity can be lessened through an organizational commitment to training, a realistic learning curve for initiated change, and an internal environment that accepts that failure and confusion are part of the learning process.

Since most workers are the products of bureaucratic work forces and have formed paradigms reflective of the bureaucratic environment, transforming the models and expectations of organizational members is one of the most difficult challenges of the change process. Both values and procedures must be reassessed in order for the contemporary organization to be effective. Values must shift to an emphasis on innovation and creativity, and ultimately a personal state deriving energy from a continual state of limited organizational uncertainty and chaos. All of these are qualities which are suppressed in the bureaucratic dictum striving for

internal equilibrium and control. Training and development, long viewed as non-billable time and consequently minimally offered in the traditional organization, must become foundational to a philosophy of life-long learning needed to respond to the challenges of continuous innovation and responsiveness demanded by a rapidly changing business environment. Hopefully, business training, educational systems and social systems will align to better prepare the future worker for the functional and interpersonal responsibilities demanded of the employee of a contemporary organization.

Culture: The culture of bureaucracy is largely transactional, based on implicit and explicit contractual relationships. Self-interest is stressed in short-term commitments and reward systems based on personal performance. Individual levels of commitment are based on the ability of the organization to provide rewards. There is little employee identification with the organization, mission or vision (Bass and Avolio, 1993).

The culture of contemporary organizations is largely transformational, based on employee participation and identification with organizational objectives. Self-interest is deferred to group and organizational goals. Individual levels of commitment are based on implicit and explicit rewards offered by the organization, as well as the cohesion stemming from group and organizational identification, integration and affiliation. The bureaucratic values of efficiency and control are being replaced by a competitive demand for increased speed, higher quality, and reduced cost. This leads structurally to dependence on new technologies and real-

time production, shipping, and quality control systems. The social environment of the organization is reflecting a valuation of risk-taking, innovation, creativity, and life-long training.

To my knowledge, no research has been done concerning the modification of informal information and communication systems during and after the transition from a bureaucratic to a contemporary form. Formal systems of communication are quite different from those in bureaucracies, however, with information exchange occurring both downward and upward and contribution to the establishment of organizational goals and procedures input from all levels of the organization.

A familial sense of loyalty and cohesion has emerged in some teams, largely through concerted efforts of management to build employee trust through honesty, openness of information, and the genuine empowerment of team members to enable them to perform effectively. Employee trust is also built in increased egalitarian behaviors and reduction of status symbols and perquisites, as well as a role transformation by management from being controllers to being facilitators of team functions.

Although the alignment of structure, culture, and philosophy in contemporary organizational forms promises to meet higher order needs of employees and yield a more humane workplace, many problems remain relative to the social transition to the new responsibilities and paradigms required to make these forms effective. Organizations continue to experiment on both the line and staff levels concerning the effectual transference and utilization of power and the

new roles and responsibilities inherent in that exchange.

Institutionalized organizational climates tend to attempt to maintain an equilibrium and to resist modification or transformation. The forces perpetuating the existing structure and those attempting to transform that structure must be viewed in the context of traditional sociological theory in order to provide the context for later modeling and analysis. Thus, a presentation is needed of the theoretical conceptual forces of domination and transformation within organizations

Domination and Transformation

The purpose of this section is to examine, in the context of classical sociological theory, the forces that perpetuate organizational forms and those forces having the ability to transform traditional systems. Participative forms of work are seen in a historical context, providing the theoretical foundations for the modern workteam. The nature and effect of charismatic leadership is introduced and the transformational capability of this leadership style is theoretically considered. All of these concepts are foundational and necessary for the operationalization of the social relationship we are considering into an applied model of leadership.

Weber (1978) states that economically oriented behavior takes into account a conscious, primary orientation to economic considerations. This orientation was instrumental in forming organizational forms that replaced mutually oriented social

action with rationally organized action. This is still the challenge for contemporary organizations, how to produce rationally organized action in an unstable marketplace. Contemporary organizations are still governed by formal rules (an *Ovdnungsverband*) in which formal authority is reinforced both psychologically and legally. The difference between contemporary and the traditional forms is that the centralization of power (*Macht*) and domination (*Herrschaft*) has been diffused to lower levels of the organization. Although management still largely maintains “unified control over the means of production ,” as in the areas of resources and assets, lower level employees in workteams are given responsibility for the creation and implementation of the tactical factors by which work is actually performed (scheduling, processes, etc.) Thus, a bureaucratic strategic hierarchy (transactional) is maintained atop a dynamic, participative tactical operational base (transformational). This, in essence, creates two environments within the contemporary organization, with separate epistemologies and cultures. The ability of employees to create both the environment and procedures of performing work is particularly necessary in a postmodern marketplace, with its increasing emphasis on knowledge work. The flexibility and creativity required by such emergent forms of work are often hindered by centralized systems of control, motivation, and decision making.

The participation and decision making of employees, as well as the psychological effect of new forms of motivational enfranchisement such as stock ownership, tend to align employees interests with those of management through a

process of internalization. This process serves to shift employee/ management relationships from conflict relationships to associative (*Vergesellschaftung*) and communal (*Vergemeinschaftung*) relationships, based on (1) rationally motivated adjustments of interests and leading to (2) a mutually oriented adjustment of behaviors, based on a common feeling about a shared situation and the subsequent consequences of actions.

The increased interdependence and crosstraining required in postmodern and knowledge work also leads to an increased emphasis on the social and technical divisions of labor (specification of function vs specialization of function) and a decreased emphasis on an economic division of labor (administrative). Workteams produce a strong, emotional sense of member cohesion and identification with the group and its objectives. Weber felt that people are more likely to work on affectual grounds in environments emphasizing specification rather than specialization of function, as well as when quality is an important consideration.

In addition to examining problems inherent in the internal functional and social dynamic encountered in organizational redesign, environmental factors must also be considered. Little attention has been paid in the research literature of any field to the influence of boards of directors or investment bankers (external stakeholders) on the policy or processes of organizational transformation. Accountability to these external elements may contribute additional complications to the redesign process, reminiscent of the historical influences, described by Weber (1978), of outside interests (*rentiers*) concerned with present and long-term

corporate profitability. Thus, even though new organizational forms are problematic and face an uncertain future, a case can be made that they are continuing the modern capitalist tradition of increased economic rationality by providing an organizational structure that increases functionality and profitability in the face of an uncertain marketplace.

When examining changes in how work is performed and how power is redistributed, changes in the cognitive paradigms of leadership that permit and initiate radical organizational and cultural change must be considered. If bureaucracy both concentrates and delineates power and perpetuates existing spheres of power, the ability to overcome these traditional forces must be derived from non-traditional schema, new ways of solving historical problems, and are represented in the paradigm shifts of contemporary leadership. In other words, even though the impetus to initiate organizational change may stem from leadership's responses to the demands of business progress (changes in business practices, emphasis, and style), market expediencies or an increased social egalitarianism, the question remains as to what social force is powerful enough to overcome the bureaucratic environment and allow changes to be carried out and accepted within the organization. One social force having the quality to reform bureaucracy is charismatic leadership.

Charisma was seen by Weber (1978) as a quality of personality by which a person is considered extraordinary, looked to as a 'leader', and treated as though endowed with exceptional powers or qualities. Traditional authority is based on

precedents handed down from the past. Bureaucratic authority is specifically rational in the sense of being bound to intellectually analyzable rules. Charismatic authority is irrational in the sense of being foreign to all rules, as well as repudiating the past. Historic charisma resists mundane, rational economic activity and opposes conventional, daily acquisition. Charisma was seen by Weber as the revolutionary force in traditional times. It could work externally, changing situations, or internally, providing reorientation and radical alteration of the central attitudes and directions of action with a completely new orientation of all attitudes towards the different problems of the “world”.

The charismatic leader is opposed to rationalism, bureaucracy and traditional authority. Charismatic authority is not bureaucratic, has no delineated sphere of influence, official staff or hierarchy and has no framework of rules or legal precedent. Historically, the followers of the charismatic leader often lived in a communal relationship (*caritas*), the strength of personal relationships creating a sense of ‘community’. Innovation was accomplished through a reciprocal process of identification, inspiration and empathy of followers with the leader. The inspiration and empathy which was conveyed by the charismatic leader could also bring about structural and social changes by inducing a collective action (*massenhafte Gemeinschaftshandeln*) that ‘adapts’ the group to its environment. The ‘imitation’ by the group of the leader’s example can instill a sense of ‘oughtness’, that subsequently modifies behavior and innovates systems. After change has been implemented, the revised systems or beliefs are merged with tradition and

subsequently codified and institutionalized into convention, norm and customary law, forming a new framework of traditional authority.

Weber (1946) surmised that the driving forces of historical change were caused by tension, ultimately stemming from a conflict between ideas and interests of different segments and socioeconomic groups within the society. The interests of social segments or 'parties' vary not only according to class and status structure but also according to identification with the larger group's structure of domination (Weber, 1978). Thus, segments of a business organization will always be in conflict, due to an unequal distribution of power. Mass democracy can provide a leveling effect on this unequal bureaucratic power distribution. Movements of popular democratization (such as might be presumed of participative management), were therefore seen as perpetuating class conflicts by challenging the inevitable distinctions in status honor and privileges inherent in a stratified class system. Personally believing the propertyless masses (the body politic) were governed by irrational 'sentiments' and were desiring social and economic advantages unwarranted to their station, Weber advocated only the use of informal, subjective justice (*Kadi-justice*), inherent in charismatic authority.

It should be pointed out that the reforms within contemporary organizations are largely not movements of democratization (bottom up), but are driven from the highest levels of the corporation (top down). This, then, is a yielding to rather than a usurping of power by subordinates. In addition, organizational members differ from the detriments of the Weberian body politic in that (1) they are usually functionally

competent and can thus contribute constructively to the redesign process, and (2) contribution increases employee buy-in to change and internalizes organizational values which they have helped to form. These factors can increase organizational commitment, trust, efficiency, and productivity. Thus, employee participation in the making of management decisions is largely viewed as being in the best interest of employee (increasing higher order values), management (more effectively attaining tactical objectives; reducing absenteeism and turnover), and the overall organizational (attaining organizational goals).

Another way that employees can be differentiated from the Weberian body politic is to recognize that contemporary organizations moderate and enhance individual input to the participative process through team based assessment and problem solving. Weber noted that collegiality can modify monocratic authority. While workteams could be considered as “functional collegiality with a preeminent head”, a closer approximation in Weberian terms might be “merger collegiality”, which reflects the decision-making input of autocephalous and autocratic groups, and usually refers to a representative body rather than the entire workforce.

I believe contemporary organizations to be intermediate forms, an admixture of the old and the new, caught between past precedents and future expediencies. The diffusion of power and subsequent changes in functional and social relationships are only a few of the factors which must be regarded when examining the driving forces and mechanisms of change within the contemporary business organization.

The sections on traditional and contemporary organizational forms offered a perspective on some of the structural, psychological and cultural forces constraining and molding social relationships in traditional and contemporary organizational forms. In addition to these forces, systems of ethics and underlying, unconscious assumptions concerning human nature and the nature of work must be examined, as these also serve to normalize and constrain the behaviors anticipated in social exchanges, and are foundational to the establishment and perpetuation of both organizational structures and culture. The emerging organization changes of culture, underlying assumptions, and ethic within the contemporary represent a shift in underlying social philosophy, a motivational impetus that is both derived from and clarifying an emergent secular ethic.

Foundations of a Secular Ethic

This section presents the primary components providing impetus for organizational change. A model is presented that breaks organizational behavior into three components: (1) artifacts, (2) espoused values, and (3) underlying motivations. Underlying motivations are seen to be the components that determine organizational behavior and form the foundation of moral and ethical systems of action. Organizational climate, underlying assumptions of organizational members, and the ethic of leadership are seen to be the three predominant social forces influencing organizational change. The reason that the climate of contemporary

organizations tends to be similar is that the change approaches of these organizations are largely based on a system of underlying assumptions and a social ethic formed in the last several decades. This common ethic, based on secular and humanist principles, both orients contemporary organizational transformation and is being evolutionally constructed by these transformations.

Although social relationships may be defined and constrained by the organizational environment, in order to more fully understand concerted social action, two additional spheres must be considered, the ethical and the underlying assumptions. It is important to differentiate between ethics and underlying assumptions because both serve different purposes in the social collective and operate on different levels in the group dynamic. This section will examine the differences and similarities of ethics and underlying assumptions and will propose a model and mechanism by which these forces impact and impel certain behaviors within the group. The underlying assumptions of both bureaucracies and contemporary organizations will be delineated. In addition, the historical impact of ethics on modern capitalism will be considered as well as the necessity and prescription for the realignment of the ethical dimensions of experiential and marketplace moralities that are disassociated by forces of modernity.

I purpose that linkages of underlying assumptions form the basis for both ethics, culture, and organizational structure, and are the impelling force of social action. A model can be constructed to explain this process. On the phenomenological level, group behaviors can be observed systematically and yet the deeper meanings

of these actions may remain a mystery. Since we have earlier defined social action as always possessing ascribed meaning, the challenge is to discover, as accurately as possible, the actual meaning and motivation of the actors. One model of group behavior can be broken into three primary sections: (1) artifacts, (2) espoused values, and (3) underlying assumptions. The true meaning and motivation of an actor's behavior often stems from the deeper of these levels.

Artifacts can be defined as visible organizational structures, products, or processes. At this surface level, observed phenomenon can be seen, heard and felt by the observer. Artifacts include elements such as the physical environment, language, technology and produced products, artistic creations, style embodied by manners of address and clothing, emotional displays, rituals and ceremonies, myths and stories, and published lists of values and policies (Goffman, 1967; Tagiuri and Litwin, 1968; Trice and Beyer, 1984 Jones, Moore and Snyder, 1988; Schneider, 1990; Schein, 1992). At the artifact level, behaviors can be readily observed but their meaning can be difficult to decipher. Because the observer assigns meaning to another persons actions by interpreting these through either the observers underlying assumptions and cultural context, or else projecting potential motives onto the actor, by so reflecting the assumptions and context of the observer. Both the use of personal frames of reference and the projection of meaning can lead to inaccurate conclusions, however. Artifacts are the product of deeper sets of values, which must be illuminated before the context of group behaviors can be perceived.

Espoused values can be thought of as the strategies, goals and philosophies of

a group. In a sense, values are motivational, in that they represent what should be, not necessarily what is (Ouchi, 1981; Pascale and Athos, 1981). Values represent courses of action which resolve problems and stabilize the corporate environment (Deal and Kennedy, 1982). The group identity faces two primary problem areas: (1) the need to survive and adapt to external environmental forces, and (2) the need to manage its internal integration (Schein, 1992; Louis, 1980, 1990).

The group orients itself to the external environment by (Schein, 1980, 1992): (1) forming a mission and strategy, which orients and defines a shared understanding of the groups identity and proclaims its reason to exist as a group. (2) A developed consensus of group or organizational goals are derived from the direction provided by the group mission. (3) In order to meet group goals, a consensus of the means by which they will be accomplished must be established, as well as (4) the measurement systems that will be used to evaluate whether goals are being met, and the (5) courses of correction that will be employed if goals are not being met.

In order to adapt to the external environment, the group must first develop and maintain a set of consistent internal relationships among group members (Henderson and Clark, 1990; Peters and Waterman, 1982). This need is the driving force of integration and leads to the formation of the cultural foundations of shared values and assumptions. The process of integration includes (Schein, 1980, 1992): (1) the creation of a common language and common definitions in order to reach a common understanding of semantic and functional concepts. (2) Group boundaries

must be established and criteria initiated to distinguish inclusion or exclusion in the group. (3) A commonly accepted system must be arrived at for the accumulation, perpetuation, and loss of power, status and dominance within the group. (4) The propriety of emotional displays must be established and normalized in order to stabilize the effects of social intimacies such as friendship, hatred or love. (5) An understanding must be reached concerning the reward or punishment of group behavior. (6) Systems must be established that give meaning to uncontrollable or unexplainable events. These systems serve a stabilizing function by providing meaning to group members and reducing the anxiety of unpredicted events or changes (Martin, 1991; Martin and Meyerson, 1988).

In response to the problems of external adaptation and internal integration, proposed courses of action (values) are undertaken by the group. The proposed course of action may produce acceptable results. If these acceptable results are repeated and over time these results are found to be predictable in outcome, values may become shared by group members. Through the process of accepting or rejecting values based on their effectiveness, the observed outcomes of common action form a base of shared group values through the process of cognitive transformation. In this process, courses of action are evaluated as “good” or “bad” by the group and are consequently systematized as group options. Over time, effective shared values can be systematized and institutionalized into paradigms of reality, expressions of how the world works. After such a cognitive transformation, value systems become shared assumptions, reflecting a unquestioned construct of

working reality and truth. At the level of shared values, these courses of action or philosophies are dealt with at the conscious level. Group members can discuss, question and even disagree with corporate values. Because values are conscious constructs, they can be systematized into an ideology to provide direction to group members and reduce anxiety in the face of change and uncertainty.

Such codified value systems are available to the observer as artifacts.

Although values may explain a great deal of collective behavior, espoused values (what is said) may be inconsistent with observed behavior, which always follows the deeper level of underlying assumptions (Argyris & Schon, 1978). Values and assumptions must be congruent in order for cohesion, identity and core mission to develop and allow group behavior to be predictable.

Underlying assumptions are unconscious beliefs reflecting paradigms of reality and are the source of values and actions. Assumptions deal with foundational premises, such as gender roles, the importance of work and the family, the relationship and nature of employees and management, and the nature of truth and how to determine it (Gagliardi, 1990; Pondy et al., 1983). The formation of group assumptions is influenced by factors such as a common ethnic or socioeconomic culture (with the accompanying shared experiences of education, morality, values, and social interactions), national culture, and the shared historic experiences of the group. Thus, underlying assumptions represent to some degree the learning which takes place in a group over time. Once group members, through shared experience, come to accept an assumption as representative of reality, the assumption becomes

unconscious and little variation in acceptance or interpretation is seen among members (Ritti and Funkhouser, 1982). Underlying assumptions do not offer the group members the diversity of choices, options or opinion provided by value systems, and thus are not the same thing, due to a limitation of potential courses of action, as the anthropologist's concept of dominant value orientations, which view fundamental level group actions as dominant choices among several options (Kets de Vries and Miller, 1984, 1987; Miller, 1990; Smircich, 1983, Van Maanen and Barley, 1984). Because of their powerful, instrumental effect on determining group behavior, underlying assumptions are the key factors which must be uncovered and addressed if social action is to be understood or transformed.

Underlying assumptions provide a cognitive framework that guides group members in how to perceive, think about, and feel about a matter (Douglas, 1986; Hofstede, 1980; Van Maanen and Kunda, 1989; Kunda, 1992). The unconscious quality and cognitive stability offered by assumptions make them very difficult to uncover, confront, debate or change. Assumptions serve as cognitive defense mechanisms that enable members to continue to function in the face of uncertainty and change (Martin, 1991; Martin and Meyerson, 1988). Both the uncertainty of change and the relearning required with the destruction of a cognitive framework produce anxiety within group members. Assumptions reduce cognitive anxiety by becoming a mental map for the group, framing what to pay attention to, what things mean, how to react emotionally, and what courses of action to take (Argyris, Putnam and Smith, 1985; Bartunek and Moch, 1987). When the group is faced

with contradictory information or views, assumptions further reduce anxiety when they are framed in terms of the universal psychological defense mechanisms of distortion (creating presuppositions that justify actions by either assigning control outside of the group or view the process of development and learning as static events, thus basing future behaviors on past precedent), deletion (selective rejection and narrowing of experiences in order to make the world seem manageable and limit choices), and generalization (categorizing, polarizing and stereotyping events or individuals in order to manage complex information and choices; framing broad rules that greatly limit potential courses of action as well as limiting the interpretation of the actions of others). These defensive and modeling aspects of assumptions are powerful because they are mutually reinforced, and are observed by others as group norms (Kilmann and Saxton, 1983). Ultimately, the desire for cognitive equilibrium and stability is what gives assumptions and ultimately culture its main power.

Because they represent an inherently accepted representation of reality, underlying assumptions serve as both the motivator and perpetuator of organizational procedures and relationships, and ultimately the institutional rationalism of bureaucracy. Assumptions can often be overlooked by social scientists, in part because they are unconscious to members of the observed group, so that observed behavior may be given other conscious attributions and origins by the group. In addition, the origin of behavior which is derived from a linkage of assumptions is difficult to differentiate, and the substructure of underlying

assumptions within a culture may be too complexly interlinked to be easily systematized. A third difficulty for social scientists is the comprehensiveness of underlying assumptions. Linkages of assumptions create a comprehensive cognitive schema, reflecting aspects of reality and interrelationships that are not usually in the sphere of social analysis, but are nonetheless contributory to more pertinent spheres of social interaction. For example, a groups understanding of the physical world (i.e. recognition of colors), their views of time and space, and their determination of the nature of truth and how it's discovered will all influence how the group members relate to one another and to those outside the group. Although many of these areas are examined in cultural analysis, many subtleties can easily escape the outside observer.

The reason that the nature and importance of underlying assumptions has been emphasized is that underlying assumptions can be used as the subject matter for a methodological approach to organizational analysis. The use of underlying assumptions as a methodological approach is markedly different than the methodologies found in the classical theory. For example, although underlying assumptions are considered in the creation of the Weberian ideal type, these represent at best a subjective interpretation of the behavior of others. Weberian assumptions can be gleaned from the artifacts, creeds, and conscious interpretations made by a group of their actions. Since the actual nature (and subsequent power) of assumptions is unconsciously accepted and often interlinked with other assumptions, the group studied may well have an inaccurate conscious

understanding of the motivations of their common patterns of behavior. Hence, the assumptions contained in the ideal type are only as accurate as the interpretation of visible behavior, usually derived from sources other than the researcher. I make this point merely to differentiate the approach used to derive and utilize underlying assumptions in a Weberian methodology. The primary difference between the use of the ideal type and the analysis of underlying assumptions lies in the theoretical differences of the approaches.

The ideal type is a purposely artificial construct, almost archetypical in purity, that is constructed by viewing an action, and subsequently a social system, as though it had not been influenced by irrational elements. An understanding of the motivators of behavior may come from direct observation of actions, ideas, or affect, as well as being explanatory in nature, in which the motive that an actor attaches to an action is ascribed. The construct of the ideal type is then derived as a rational understanding of motive that must be observed in a socio-historical context. Once the ideal type is compiled, variations and deviations from the type observed in actual human behavior are seen as irrational elements, becoming more evident and their effects easier to compare through the differences between the objective and the actual.

A methodology based on uncovering and linking underlying assumptions is largely an emergent theoretical approach, similar to that found in modern ethnomethodologies, in which group members actively contribute to the illumination and interpretation of the primary motivators of their behavior. It is fundamentally

assumed that the only persons understanding the culture are those within the culture. The investigator merely assists those within the culture to discover their underlying assumptions. This approach becomes much less subjective and ascriptive, and much more confrontational and interactive, in which the actual unconscious motivators are sought when the social system is not in equilibrium, such as in a time of crisis or in response to challenges or violations of norms or values. Only in these times can the actual source of group motivation be glimpsed. In a later section, I advocate the use of both the ideal type and a clinical (modified) ethnomethodological approach as useful applied approaches to the assessment of social relationships in business organizations.

In classical theory, underlying assumptions have been primarily included into theoretical constructs of ethical and moral systems, which are seen to influence group behavior. For example, Weber (1958) notes the assumptions and subsequent social responses that employers made of female workers. A few differences between systems of ethics and underlying assumptions are that assumptions need not be rational, deal with issues of morality, or be systematic, but if consistent, they will motivate predictable behavior. Ethical systems, although seemingly irrational to an outside observer, reflect a coherent set of interlinked premises, which in turn make the ethical behavior predictable. Ethics and assumptions represent two different levels of social motivators, with the systematic ethic itself composed of underlying assumptions.

An ethic may be viewed as a course of moral action. Ethics can be

systematized into a rational and social framework, providing a standard and reference for collective action. Both cultural and religious tenants can influence the formation of a group's ethical framework. In an ethical system, behaviors are evaluated according to their conformity to a meta-model of reality or truth. This model, regardless of the base of collective morality that it draws upon, provides a standard from which the propriety of behaviors can be assessed as well as limiting the choices of behaviors to draw upon.

An example of social action emerging from a common affiliation with an ethical representation of reality is found in Weber's *The Protestant Ethic and the Spirit of Capitalism* (1958). In this work, Weber contends that religious ideas shape the economic spirit (the ethos) of a culture as well as influence the development of national character. The rational ethics of ascetic Protestantism were seen to influence and provide impetus towards the development of modern capitalism. Religious ethic provided a personal orientation to accumulation and character traits that permitted a consistent, disciplined approach to that end. This ethical approach, reinforced in collective religious circles, provided the climate and stability that permitted the development of the economic and historical factors necessary for the exercise of modern capitalism (such as continuous nature of trade, reinvestment, etc.). Persons affiliated with Protestant ethical systems responded to a call, a duty or task set forth by God, and conformed their lifestyles and personal goals towards selfless accumulation for the glory of God. The ethical behavior expressed by these systems is seen to be rational or irrational (virtuous) dependent on whether the

social actions produced by these systems were expedient in a utilitarian manner. In like manner, the concept of the “call” evolved over time to become increasingly utilitarian, ultimately becoming a fixed system of ethic justifying the modern specialized division of labor.

Although Protestant ethical systems contributed to the formation of modern capitalism, by the nineteenth century, the social aspects of these ethical systems became incorporated into secular and upper and corporate class social mindsets (Weber, 1958), and the religious ethic was seen largely to be intrusive and at odds with the ethic of the marketplace and the bureaucratic organization. Modern capitalism became an ethically colored maxim for the proper conduct of business life. The individual exercised his personal ability and material resources towards systematic acquisition, with the secular ethic both limiting ruthless or unscrupulous avarice and increasing the accumulation of wealth.

The marketplace (*Marktgemeinschaft*) of modern capitalism was seen by Weber (1978) as the *Gemeinschaft* based on the most rational kind of social action: association (*Vergesellschaft*) through exchange. The character of pure market relationships is basically irreconcilable with ethical religion. Thus, the economically rationalized group (*Gemeinschaft*) is ethically irrational to ethical systems the individual may associate with other social spheres (family, friends, religion, etc.). This dichotomy of moral spheres creates a fundamental individual and social tension within the society (Durkheim, 1933). Weber saw the struggle of interests inherent in market exchange as the factor polarizing the development of domination within the

society (and hence, organizations of rational domination), as well as defining class and status differences.

Durkheim viewed the modern marketplace as basically amoral. The contrast of views between Weber and Durkheim can be understood by placing each of these theorists within their theoretical context. Weber was concerned with the socio-historical emergence and consequence of modern capitalism. Durkheim viewed society as a moral sphere, with individuals contributing to the larger collective good, or serving to further their own self interests. For Durkheim, proper ethical systems promoted actions that contributed to the common good. Beneficial ethical systems were transmitted by family, religious and political institutions. As these declined in importance at the end of the nineteenth century, Durkheim noted an increasing ethical vacuum forming in Western culture and also observed the increasing importance of large corporations in both national and personal life. Consequently, he appealed to business organizations to develop an ethic which would encourage both institutional and personal contribution to the benefit of society.

The forces of modernity inherent in an organic society, such as anomie and individualism, in conjunction with the imposed reality of an increasingly permeating bureaucracy, have increased social relativism and promoted both the increased interdependence of the individual on society, and the alienation, confusion, and moral schizophrenia seen in contemporary society (Durkheim, 1933, 1958, 1964, 1983; Hummel, 1994; Sadri and Stinchcombe, 1993). Durkheim contended that in order for anomie to diminish, the social collective must be given rules and order to

give continuity and perpetuity (meaning) to personal social action. In the twentieth century, the alienating and fragmenting forces of modernity and bureaucracy have been opposed in business by both theorists and prescriptive consultants alike, based on an emerging set of principles which were later embodied in the views of humanist psychologists such as Maslow. The ethic of reformist movements in business organizations were based on sets of common assumptions, which, over time, produced an evolutionary secular humanist ethic, and laid the foundation for shifts in underlying assumptions necessary to shift power and restructure social relationships within the contemporary organization.

Underlying Assumptions of Business Organizations

This section the underlying assumptions of both traditional and contemporary organizational forms. These assumptions have over time coalesced into an ethic based on secular and humanists views of human nature. This ethic is foundational to directing the social changes seen in contemporary organizational relationships. An applied model of the social relationship considered by our research question must reflect and exercise this secular ethic.

Bureaucratic theory (called Classical Theory in business history) viewed the individual largely as a cog in the corporate machine. In addition to rationally and systematically concentrating and better exercising power, the structuring into a bureaucratic form overcame the longstanding business problems of nepotism and

favoritism. Weber is considered a Classical theorist and the views, social relationships and underlying assumptions inherent in his observations on bureaucracy are consistent with the body of prescriptive methods and literature promoted during the early part of the twentieth century, and which remained the predominant business form until the end of this century. In his book *General and Industrial Management*, Fayoll (1949 [1916]) outlined thirteen principles, based on a military model, which epitomized Classical theory and became a standard in the business world until the 1960s (pp. 46-48):

(1) There must be a division of work: The job must be broken into parts which are easy to master. Each person must master their assigned work. There must be a specialization of function. (This is the logic of the assembly line and other jobs characterized by repetitive tasks)

(2) There must be well defined authority and responsibility: Authority rests with management. Workers don't have the ability to be responsible. Each manager must have a limited span of control to supervise. Employees are distrustful and must be watched and controlled.

(3) Discipline must be emphasized: A leader must create discipline among subordinates. Employees are not capable of self-discipline.

(4) Unity of command must be maintained: Only one person should be in charge of a common set of activities and everyone should have one person that they report to.

(5) There should be a subordination of the individual to the common interest of the organization.

(6) Employees should receive fair remuneration: Piecerate is the only fair system of payment. (Fayoll was unaware of social forces that make this practice unfair).

(7) There must be a centralization of power: Centralization of power allows the coordination of functions. Decision making should be pushed to the highest organizational levels.

(8) There should be a scalar chain of a well defined line of authority.

(9) Order must be emphasized: Everyone should know what is expected of them and function in their place. This promotes material and social order.

(10) There must be equity to all within the organization: Everyone must be treated the same regardless of rank. (This was an injunction against nepotism)

(11) An emphasis on the stability of tenure will lower turnover.

(12) Initiative must be controlled to prevent anarchy.

(13) An esprit de corps leads to high morale and increased productivity.

An approach such as Fayoll's increased personal dehumanization and increased organizational control. The best example of humans systematized into the corporate machine comes from Taylor's (1911) Scientific Management Approach, in which every action a person takes is measured and modified for maximum productivity. The employee must then conform to the new system of behaviors in order to receive a reward.

In his book *The Human Side of Enterprise*, McGregor (1960) explicitly delineated the unspoken assumptions Classical managers had towards workers, which he called Theory X:

(1) People hate work.

(2) Thus, people must be forced to work by rewards and punishments.

(3) Employees can't be responsible. They want security and want to avoid responsibility.

(4) Employees must be closely supervised because you can't trust them.

According to McGregor, workers were viewed and treated as children, not

capable of self-direction. Because employees are forced to work, an environment of punitive control is necessary to ensure productivity. It is easy to see how, if held, these underlying assumptions could contribute to the elements comprising the bureaucratic environment. McGregor felt that Classical views missed proper human motivations. He subsequently adopted Maslow's Need Hierarchy in order to create and advocate a new set of underlying assumptions for organizational development.

Maslow (1943, 1954) viewed human psychological needs, and subsequently motivations, as a five-stage hierarchy. The most fundamental human need was physiological, including the need for air, food, and water. Once the basic necessities for survival were met, safety needs became a concern. These needs reflected security issues such as shelter. Social needs for association, belonging and companionship are the next important motivators. Self-esteem needs are seen in the desire for self-confidence, recognition, appreciation and respect. Maslow's final need level was self-actualization, in which a person realizes their own human potential. The social, self-esteem, and self-actualization needs are known as higher order needs. Although problematic to apply, the motivational premises of Maslow's Need Hierarchy has proved to be extremely influential and inspirational to business reformers, who seek to translate human needs into social systems.

McGregor felt that Classical theory met only the physiological and safety needs, and either did not address the higher order needs of employees, or else actively suppressed them. Consequently, McGregor developed a new set of underlying assumptions designed to promote the higher order needs of workers,

which he called Theory Y, in order to maximally motivate workers:

- (1) Work is as natural as play.**
- (2) Workers are capable of self-direction and self-control.**
- (3) The commitment level of employees is associated with achievement. Rewards should be given for achievement and team behavior.**
- (4) People accept and seek responsibility.**
- (5) People can solve organizational problems.**
- (6) The intellectual potential of employees is not fully utilized in organizations.**
- (7) Employees should be given solid but not minute directions.**
- (8) Performance should be rewarded and motivation should be based on incentives rather than punishment.**
- (9) The relationship between workers and management should be based on trust and integrity.**
- (10) Management should assume that employees are intelligence, creative & motivated.**

Some theorists contend that organizational forms create the type of employees, through systemic and social reinforcements, that are reflected by their underlying assumptions (Argyris, 1978, 1985). Under this view, the assumptions of classical organizations created both the environment and the employees that justified autocratic control. Because McGregor saw people as not responding based on inherent qualities, but rather conforming to those qualities created by their environment, he held that a variety of tasks and employee contribution were more compatible and beneficial for adult productivity.

The contrast of philosophies seen in Theory X and Y are similar to the differences in ethic between the Pietist movements, which stressed a concern for brotherly love and a social conscience which sought to curb the potentially despotic asceticism of the Calvinist entrepreneurs (Weber, 1958). The underlying premises and motivational principles of Maslow and McGregor, derived from the humanitarian philosophies of earlier business reformers and movements, form the common ground of all major reform advocates since the mid-twentieth century and are the foundation for a secular business ethic. It is upon these premises that the modern climate of social transformation is built.

In summation, in addition to the conforming factors inherent in the organizational climate, there are three additional social forces predominantly affecting the change of social relationships in business organizations: (1) a shift in communication systems and a redistribution of power throughout the organization, (2) a change in the underlying assumptions made by management concerning employees and the nature of work, (3) a change in the ethic of contemporary business that enfranchises and empowers employees in order to enhance both their personal growth and organizational productivity.

The theoretical concepts presented so far can be found in an applied model of leadership called transformational leadership. This leadership style represents the facilitative management/ employee relationship that we are examining and uses the principles of the secular ethic to transform the organizational climate and the underlying assumptions of organizational members. In addition, the

transformational leader uses charismatic authority in order to transform and modify existing traditional systems and perspectives. The nature and qualities of transformational leadership will be considered in the following section.

Transformational Leadership

For the last two decades, the preponderance of both descriptive and prescriptive literature has emphasized the role and function of the employee in the team environment, largely in order to maximize the dynamic and effectiveness of the workteam as a functional business unit. Management is seldom addressed other than to implore power-holders to modify their conceptual framework in order to provide the systems and facilitative relationships that will allow workteams to function effectively. However, the radical and broad reforms of both organizational and social structures required to create effective contemporary organizations demand an emphasis not on management, which seeks a state of corporate equilibrium and control and is largely based on past precedent for direction, but on leadership, who must not only transform existing structures, but also create new systems that will reinforce non-traditional social dynamics, such as innovation, creativity, and risk-taking.

To meet the challenge of drastic organizational transformation, the traditional cascade approach to change is not effective. The radical change process must reinforce new behaviors in a new climate, which is represented by a new vision

and mission, a new organizational structure and revised systems of rewards, roles and responsibilities (Cox & Liesse, 1996). The leadership necessary for this process must provide the ability to make rapid and radical reforms to bureaucratic structures, as well as simultaneously providing the psychological need for anchoring necessary for continued productivity. Often, this form of leadership is expressed in a heroic concept of charismatic leadership. Only a form of charismatic leadership would seem to be able to both reform existing structures while providing followers a stabilizing vision and motivation (Weber, 1978).

Weber held, as did almost all social researchers before the 1940s, that the charismatic leader possessed innate leadership qualities that could neither be transmitted nor taught. Modern leadership theory, however, contends that leadership is a series of behaviors rather than inherent internal traits or qualities (for example, White et al., 1996). Using the perspective of modern leadership theory, effective leadership can and must be personally and individually developed within the organization. This leads to the question of whether an organization is nurturing and developmental its leadership potential. But the development and exercise of leadership meets with particular difficulty when faced with socio-historical forces of democracy and individualism, employee's psychological resistance to change, and the nature and requirements of the rapid transformation process.

Modern democratic societies produce a climate that reduces and decentralizes the autocratic power of leaders, while increasing the variety and intensity of resistance to leadership, by increasing divisions, diversions and agendas

within followers through the exercise of individual freedoms (O'Toole, 1996). The historical response to overcome follower resistance is seen in the leadership actions of: (1) commanding, (2) manipulating, or (3) paternalizing. These three historical approaches depend on a leader who is stronger and more knowledgeable than their followers. Yet this view of a leader is increasingly at odds with the participative individualism of society. The desire for both increased democratic egalitarianism and the desire for strong leadership tends to produce disparate reactions within followers. O'Toole's surveys of both students and business managers concerning what figure comes to mind who exemplifies the word *leader*, invariably produces the names of dictators, generals, coaches and other autocratic personalities. These results indicate that without cultural precedents for alternate leadership figures, society relates to traditional autocratic leadership even while rejecting autocratic authority in their personal lives. Followers, overshadowed by individual agendas, can reject a leader's commands and increase their resistance, even when the ordered course of action is obviously in their self-interest.

In addition to follower resistance, leaders must face the challenges of the change process itself. Both the Lewin (1964) model and the Schein (1964) model of change incorporate three primary processes: unfreezing, change, and refreezing. Brown (1994a, 1994b) advocates the use of rites, i.e. elaborate, dramatic and planned sets of activities that convey important messages within an organization. These are social vehicles for the communication of information, and can act as symbols of a leader's intentions, values, and beliefs. They help to promote change

both at the psychological and behavioral levels (Jones et al., 1988). Leaders can utilize rites in order to reduce employee fear by performing them at strategically advantageous times in order to change follower expectations, beliefs and assumptions.

In the initial or unfreezing stage, both the existing values and symbols (artifacts) must be understood by the leader and used effectively in the transformation. In this phase, rites of questioning and destruction (The questioning of existing structures and practices, as well as noting systemic shortcomings, are done usually by external consultants to enhance impartiality. These rites are designed not only to examine, but to persuade others of the need for change), as well as rites of rationalization and legitimation (sensitizing individuals to change by providing reasons why reform is necessary. These rites legitimize changes and engender broad-based commitment). In order for the unfreezing phase to be effective, there must be visible management solidarity for change. In addition, training and educational programs are necessary, not only to develop newly needed skills but to provide a forum for indoctrination, providing a common linguistic and conceptual base. This phase is characterized by uncertainty and anticipation, fueled by rumor, which can be transformed into either fear or excitement, depending on the response of leadership. Excitement is built by such activities as employee discussion and participation, trips to organizations that have made similar change, or bringing in outside experts to reassure the direction (Isabella, 1990).

The change period is a time of confirmation and culmination (Isabella, 1990).

Old heuristics, experiences and explanations must be supplanted. Only when deficiencies in the old models become obvious (confirmation) can a new phase of learning take place (culmination). Although most employees are accepting of change in this phase, rites of degradation and conflict should be used. These challenge the status quo. For example, staff unwilling to change may be replaced. These rites encourage the development of new goals and indicators. In addition, rites of passage and enhancement are necessary. These are designed to overcome resistance to change, broaden the base of support for the system, and encourage ownership of the process of change. Training, bonuses, time off, promotion and new job titles reflect new responsibilities and levels of prestige and are indicative of a new phase of operation. The role of leadership in this stage is to help employees make cognitive shifts in a quicker and easier manner.

During the refreezing process (institutionalization), the individual employee redefines their understanding of the functions required of them and learn how to implement new rules or procedures through and with colleagues. This is a consolidation phase. The successes of the new system produce confirmatory cues that become deeply embedded in the mind-set of the employees and the cultural history of the organization. Rites of integration and conflict reduction bring coherence to an org, reduce the level of conflict between individuals, functions and departments, and reconcile vested interests to the new order of things. Weber (1978) notes that the challenge for the charismatic leader is to transfer the charisma during the institutionalization process. This traditionally was the transmittal of a set of

beliefs (and subsequent procedures) that were codified and systematized into custom. The challenge for leadership in a chaotic or unstable business environment is to institutionalize the *process* of transformation into the system, concentrating on the when, what, and how of continual change rather than a static innovation. Under this approach, the institution must not only learn to live with a measure of anxiety and uncertainty, but to use it as a source of energy to impel continued assessment and innovation. I have not come across a systematic approach to doing this type of institutionalization, but it is vital, to respond to the rate of change, that innovations not be considered in a more ongoing and fluid manner than those of the past. Future organizations must be built for change and change itself must be their stability.

Rites within organizations can address some of the psychological hindrances faced by leadership. Other common psychological areas of difficulty encountered by leadership are: the tyranny of custom, the natural resistance to change, the unnatural nature of values based leadership, the difficult requirement of enrolling others in the process of transformation, and the unconventional yet essential attitudes required for effective leadership.

Out of these problem areas, the natural resistance to change is one of the most important problems inherent to the transformation process. Everyone resists change, particularly those who have to change the most. Employee perception and acceptance of profound change is the crucial factor of org success. This is often thwarted by fear: loss of discretion and prestige, fear of new standards and control measures, loss of job security and an uncertain personal economic future, fear of

new pay structures, fear of learning new competencies and the threatening of existing competencies and professional identity (Brown, 1994). Resistance to change is overcome in only one way: building an alternate system of belief and allowing others to adopt it (O'Toole, 1996). In order to accomplish this, the leader must become a leader of leaders, reflecting an unshaking personal core of values and beliefs and replicating these in the lives of others. This difference is what empowers the charismatic leader.

Leaders must diverge from the three historical leadership responses (autocracy, manipulation, and paternalization) in order to be effective in the contemporary socio-historical milieu, and must appeal to the hearts and minds of their followers. This alternative approach is called values-driven leadership. When a leader inquires about an employee's ambitions, needs and dreams, it gets the employee's attention and transmits a message of respect. It is essential in this process that the leader really respect their followers and believe that meeting their needs is an end in itself. Leaders should appeal not to the base, evil or literal values or desires of the masses, but present a vision that appeals to their highest aspirations, yet seems to be their own vision. People respond to the leader's values and direction because they are reflective of their own. For this approach to be effective, leaders must always lead by the pull of inspiring values. Thus, the values-driven leader becomes a "social architect", creating social situations which dramatically and powerfully communicate significant value messages to others. The factors required for effective values-based leadership are vision, trust, listening, authenticity,

integrity, hope and addressing the true needs of followers. These values must be rooted in a genuine respect for people and should not be subject to the winds of contingency.

The diffusion of power in contemporary organizations, and subsequent shift in the functions of control to facilitation, can be the result of transformational systems of leadership that depend on thought of as a shift from instrumental rationality [*zweckrational*] to value rationality (Sadre, 1982). “Value rational action is determined by a conscious belief in the intrinsic value of some ethical, aesthetic, religious, or other axiologically determined forms of behavior, independent of utilitarian or pragmatic considerations (Weber, 1978).” The research question posed in this paper looks for a change in social relationship between management and employees. The question we must ask is whether there is a leadership style that is facilitative rather than controlling, is based in ethical principles in order to provide change in the organization, and encompasses the qualities of charismatic leadership necessary to reform bureaucracy. There is such a style, and it is called transformational leadership.

I propose to construct an ideal type of transformational leadership by creating a syncretic model, based on the methodology of Behling & McFillen (1996), which integrates and reconciles differences presented by similar but diverse models of transformational leadership. In other words, the syncretic model and ideal type must present a clear, consistent theoretical paradigm and measurable constructs, based on a theoretical consensus of concepts found in the models of transformational

leadership theorists. The hypothesized causal and moderating relationships must be equated and brought into quantitative terms.

Transformational leadership operates by molding the behavior and psychology of colleagues and subordinates. At the psychological or cognitive level, transformational leadership shapes the values, beliefs and assumptions that employees have about their tasks, their colleagues, and their organization (Brown, 1994a).

Transformational leaders exert a strong personal influence over their followers, transforming the follower's beliefs about the organization, raising them to a higher level of motivation, and inducing subordination of individual self-interest to super-ordinate goals (Inkson & Moss, 1993). Transformational leadership can be defined as a process of influencing major changes in the attitudes of employees so that the goals of the organization and the vision of the leader are internalized (Carlson & Perrewe, 1995). The transformational leader attempts to engage the whole person of the follower by looking for individual motivations, appealing to the individual's values, and trying to satisfy higher order needs (Maslow, 1954).

The phrase 'transformational leadership' was coined by Burns (1978) and applied primarily to leadership in the political sphere. Burns defined transformational leadership as a process whereby one person takes the initiative in making contact with others in order to exchange something valued. Burns saw transformational leadership as being based on more than follower compliance, which is inherent in conventional transactional leadership, and involving attention

and response to the beliefs, needs, and values of followers, and ultimately shifting these beliefs, needs and values over time. Bass (1985) took the concepts of Burns and applied transformational leadership to business organizations. Durkheim (1933) felt that the amoral nature of modern capitalist business is in tension with other moral spheres of society (Sadri & Strinchcombe. 1993). The consistent ethical foundation necessary for transformational leadership has the potential to reconcile and align the morality of the business organization with other moral spheres through the reshaping of collective conscience, a reconstructing of social similarities, and ultimately the achievement of social solidarity (Kuhnert & Lewis, 1987).

Transformational leadership raises the awareness of the consequences of actions taken by followers. The motivation of followers is raised and their higher order needs are activated through an emotional identification with the leader (Carlson & Perrewe, 1995). The leader emphasizes the value of certain outcomes, and influences followers to put the organization before their own self-interest. The transformational leader has all the qualities of the charismatic leader, yet adds other characteristics to increase the effectiveness of this style of leadership. The primary difference between traditional forms of charismatic leadership and transformational leadership is that charismatic leadership is believed to result from followers perceptions of inherent leader qualities & behavior. The charismatic leader appeals to the hopes and ideals of the followers, thus providing the basis for follower identification. These leaders are often only recognized in times of crisis. The transformational leader, in addition to providing a visionary direction and an

appeal to follower ideals, also addresses the present needs & values of the followers. While follower's needs were met by charismatic leaders (Weber, 1978), the impetus for charismatic reform or revolution was primarily derived from a response to a non-material vision or set of beliefs advocated by the leader. The material needs were met after the reforms were enacted, thus becoming, in a sense, the sharing of the spoils of the revolution by the followers. The meeting of material needs is not incidental to the impetus of transformational change, however. The transformational leader validates his future vision and builds both trust and relationships within the organization by meeting the current needs of followers. The initial stages of transformational leadership is built on simple exchange theory, in which followers are given something they want in return for something the leader wants. This process will continue until there is significant follower identification with the values, goals and vision of the leader. Once these are internalized by followers, both institutional and social reinforcements will provide the alignment the leader desires. Effective transformational leadership depends on the leaders ability to meet and respond to the changing expectations of followers. A primary differential of transformational leaders from other styles of leadership is that they operate out of deeply held value systems beyond the sphere of negotiation or exchange, based on principles such as integrity or justice. Followers beliefs are changed by the leader expressing, advocating and rewarding their personal ethical standard.

In order for transformational leadership to be effective, there must be: the

existence of a prophetic tradition in the society (Bass, 1985), social distance great enough to allow the leader's "magic" to remain potent (Bass, 1985), the availability of communication channels to spread the leader's message (Burns, 1978), the absence of organizational practices that restrict innovation (Kanter, 1983) and action in politics or in religion as differentiated from business (Bass, 1985; Jepperson & Swidler, 1994).

Transformational leaders assume that (Bass & Avolio, 1993): (1) people are trustworthy and purposeful, (2) everyone has a unique contribution to make, and (3) complex problems should be handled at the lowest level possible.

There are six characteristics of leader behavior consistent to all systems of transformational leadership (Behling & McFillen, 1996): (1) the leader displays empathy, (2) the leader dramatizes the mission and vision, (3) the leader projects self-assurance and confidence, (4) the leader enhances his personal image, (5) the leader assures followers of their competency, and (6) the leader provides followers with opportunities to experience success.

Gilbert (1985) sees the effective transformational leader as having: (1) a commitment to employee development, (2) expectations of high performance, (3) the ability to delegate responsibilities, (4) the time to listen and (5) a policy of seeking staff input before decision making.

Transformational leader characteristics are also noted by Carlson & Perrewe (1995): (1) The most important leader characteristic is the possession of vision, a mental picture of a desirable and possible future organizational state (Kotter, 1990;

Bass, 1990; Bennis, 1989). The leader's vision should be a source of follower self-esteem and reflect an appealing future so that followers develop a sense of purpose about the organization. (2) The leader must understand human needs and be familiar with human motivations (Bass, 1985; Waldman et al, 1990). The transformational leader motivates by addressing the employees need for recognition, a sense of belonging and self-esteem, considering personal differences and treating each employee or group of employees differently and uniquely. (3) The leader must possess a strong set of personal core values, such as integrity and justice (Bennis, 1989; Kouzes and Posner, 1987; Bass, 1985; Burns, 1978). The behaviors of followers are aligned and transformed through the exercise and reward for conformity to the leader's standard, institutionalized into organizational ethics, mission and vision.

Additional transformational leader behavior cited in research literature includes: (1) The leader's major key skill is the communication of their vision (Kouzes and Posner, 1987; Tichy and Devanna, 1986; Bennis and Nanus, 1985). Effective leaders are able to communicate a vision easily enough to be understood, are appealing enough to provoke commitment, and are credible enough to be considered real. Vision must ignite the flames of human passion. (2) Leaders must reinforce followers for their involvement in the leader's vision by fulfilling follower needs. Behaviors valued by the leader are reflected by the reward system. Intrinsic rewards, related to higher order needs and motivations, should be the most emphasized (Deci, 1975; Herzberg, 1959). (3) Consideration should be shown to

employees. Concern for the employee must be demonstrated first in a crisis situation, in which it is evident that the welfare of the employee is placed above potential or immediate business losses. Once the leader's sincerity is demonstrated in a crisis situation, it must be followed with a consistent attentiveness to employee welfare. Over time, this attentiveness builds employee trust and a higher level of commitment. The respect for and commitment to the leader is built by (4) his fulfillment of commitments. The leader must keep promises and do what is expected in order to be perceived as trustworthy and credible.

Gilbert (1985) sees a successful boss/ subordinate relationship as providing: (1) sincere interest in the worker, (2) respect for worker accomplishments and (3) dedication to the worker's future development. Through the aligning effect of transformational leadership, both management/ employee are committed to influence and participate in the other's success. Gilbert sees the successful subordinate: (1) as motivated to do the job, (2) meets deadlines, (3) keeps the boss informed, (4) is honest, (5) seeks constructive feedback, (6) is a self-starter and (7) is a positive conflict manager.

With these similarities gleaned from the various systems of transformational leadership, the five areas most important to this leadership approach that I can derive are: (1) vision (which includes the organizational mission and formal corporate ethics), (2) changes to culture, assumptions, and core values, (3) the establishing of networks of relationships by the leader throughout the organization, (4) employee participation in strategic and tactical decisions, and (5) reward systems

reinforcing institutional ethics. These five categories will be considered, as well as potential problems rising from this leadership approach.

Vision: Corporate vision sets the trajectory and direction for activities and outcome of the organization, and must be periodically assessed. Future change is built on underlying perceptions of “who we are as a company”. Vision helps define the underlying perceptions and must come first in the transformation process (Cox & Liesse, 1996).

The leader’s vision is strategically formalized as an organization’s mission statement. The mission statement thus expresses the unique values of the organization. It should not be the plaque in the lobby, expressing what values the company should hold or wishes it held, but an internal tool for focusing priorities. In order to review organizational purpose, leaders must examine the values underlying their mission, which acts as a keel used to steer the course and behaviors of the organization (Cox & Liesse, 1996) The mission statement must answer three questions: (1) What are our customer’s needs? (2) What is our product? (3) How do we meet our customer’s needs? The mission statement must represent the competitive advantage presented by the unique resources, competencies, and abilities of the organization. The mission must present a here-and-now sense of connection to authenticity (Carlson and Perrewé, 1995).

Strategic directions and policies have ethical implications in the institutional and interpersonal spheres. Issues reflective of strategic direction include how employees are treated during downsizing (retraining, placement in other

departments or divisions), the providing of child care and an Employee Assistance Program, the providing of profit-sharing and the amount of medical coverage.

Culture Change: In the last two decades, there has been an increased emphasis on quality of life, ethical performance, and legal and social consciousness of professional behavior. In order for transformational leadership to be effective in this climate, an ethical foundation must first be established consisting of: the ethical orientation of the leader, the support of top management and the establishment of a corporate ethics policy (Carlson & Perrewe, 1995). Employee ethics are subsequently modeled on the leader's ethic, thus the values as well as the character of the leader are reflected in subordinate's behaviors and responses to crises.

Transformational leaders teach and facilitate followers, creating mechanisms for cultural development and the reinforcement of norms and behaviors that reshape the boundaries of the culture. In order to do this, leaders must know the beliefs, values, assumptions, rites and ceremonies embedded in the culture, how they got there, and what they mean to followers, then invent new rites to represent value change (Gardner, 1990). Transformational leaders must view culture change as an evolutionary process and periodically assess assumptions and change them if needed.

Characteristics of transformational culture: (1) it has sense of purpose and a feeling of family, (2) commitments are long term, (3) leaders and followers share mutual interests, and a sense of shared fates and interdependence, (4) superiors serve as mentors, coaches, role models & leaders, socializing members into the

culture, and (5) norms are established that will adapt to and change with external changes in the organizational environment (Bass & Avolio, 1993). Transformational culture builds on or augments transactional culture. In order to enhance stability during a time of uncertainty and transition, a base for transactional exchanges must be maintained.

There is a reciprocal relationship between organizational culture and leadership (Bass, & Avolio, 1993). Leadership shapes the culture of an organization and organizational culture affects the development and exercise of leadership. In like manner, there is also a reciprocal relationship between vision and culture. Culture is the setting within which the vision takes hold and the vision may determine the characteristics of organizational culture. According to Schein (1980), the leader affects culture change in the following ways: The most powerful mechanisms for transmitting and embedding culture are (1) what leaders pay attention to, what they measure, and what they control, (2) the leaders reactions to critical incidents and crises within the org, (3) their deliberate role modeling, teaching and coaching, (4) the criteria leaders use for allocation of rewards and status, and (5) the criteria utilized for recruitment, selection, promotion and retirement. Once the values of the leader become institutionalized in the reward systems and culture of the company, organizational members will internalize and align to the new direction. The leaders values are then seen as the employees own. After internalization, the workers become transformational models themselves.

The ethical leader must take personal, ethical responsibility for leadership

actions and decisions, becoming a role model for employees (Butcher, 1991; Enderle, 1987). Top management support is vital, as well as the support of the board of directors (Bavaria, 1991). A code of ethics must be created which describes the value systems of the organization, as well as setting the guidelines for decision making. For the code of ethics to be effective, organizational members must be aware that it exists and what behavioral guidelines it contains (Trevino, 1986). Burns saw transformational leadership as a style performed only by leaders who appeal to positive moral values. Bass saw the techniques of transformational leadership as a tool that can be used to increase follower commitment, regardless of the final moral or ethical effect on the follower. Both approaches encourage the individual to go beyond self-interest, to the organization as a whole.

The use of the transformational leadership style improves both employee well-being and productivity (Shareef, 1990). This is brought about largely through the leader's commitment to employee development. The training provided to the employee in the contemporary organization orients the employee to the new mode of operation and provides the forum that teaches the new organizational philosophy. Investment in people is the single most important element in the strategic management equation. Training predates all other structural or system changes.

Once structural and cultural reforms have been made, one of the greatest challenges is the institutionalization of charismatic process and values (Weber, 1978). In an increasingly chaotic climate of change, business must be in a state a state of constant innovation. The institutionalized components must not reflect the

what of the change (value reflective), but rather incorporate the *when* and *how* of change, creating a system which is both self-examining and adaptive. This approach is largely undeveloped, but is necessary for future research and development.

Carlson and Perrew (1995) note that in the current approach to achieve institutionalization of values, the key elements are: (1) The psychological contract, which is a set of unwritten, reciprocal expectations, which specifies what each participant is expected to give and receive in the relationship (c. f. Kotter, 1990). The social relationship as defined by Durkheim and Weber is based on this type of predictable social action. The greater the match between the individual and the organization's expectations regarding ethical behavior in organizations, the greater the persistence and amount of institutionalization of organizational ethics (c. f. Kotter, 1975; c. f. Rosseau, 1990). In addition, the combination of employee participation in the change process, leader consideration of followers and the support of the top management team all serve to reinforce and internalize the ethic throughout the organization. (2) Organizational commitment, which is the amount of employee identification with and work toward organizational goals and values. Organizational commitment is increased through public or visible rewarding of desired behavior. Acceptable behavior must be explicitly understood by the organizational member in order to engender the expectation needed for socialization and reward. Clear expectations of behavior enhance personal responsibility and liability for actions. Reward of ethical behavior, in conjunction with a vision that appeals to the needs, values and dreams of the employees, heightens commitment.

(3) An ethically oriented culture and an explicit corporate value system. This system indicates to the employee what is important, creates a sense of identity, enhances social stability and gives direction as to what behavior is accepted. This process is a primary mechanism for socializing individuals in the organization.

Durkheim (1933) predicted the emergence of a nation-wide industry based organizational ethic, which would ultimately transform society as a whole. In order to build a national business climate, a transformational leadership approach must be taken, in which organization's mission, policies, and reward systems all encourage ethical behavior. High ethical standards must be considered in the recruitment, selection and promotion of managers. Performance standards must be developed that reward ethical behavior. In addition, training in ethical leadership skills should be encouraged (Howell and Avolio, 1992). Finally, standards can be enacted through federal and state laws, organizational norms and professional codes of ethical behavior (Gatewood and Carroll, 1991).

Relationships: Leaders must foster the relationships of managers and employees and employees as team members. The quality of relationships determines the propensity of the employee to receive leadership (Tjosvold & Tjosvold, 1993). Management is recognizing the increased diversity of the workplace and is using cooperation theory to move from adversarial or competitive relationships to include employees into common situations and business conditions. When relationships between managers and employees are established, the employee can realize the commonality of interest served in the achievement of organizational objectives and

thus create an environment of alignment rather than competition between management and employees.

Employee Participation: Management and labor must develop a shared reality of the company, create a network of change activists throughout the organization and develop the necessary trust between labor and management to make transformation possible (Shareef, 1990). Transformational leadership creates a sense of employee ownership by connecting emotionally and intellectually to the vision, priorities and people of their work unit (Goddard, 1986). To improve the effectiveness of both employees and the utilization of resources, transformational leadership challenges old limits and clarifies new intentions. Participation by employees is encouraged during the drafting of company goals and the definition of the organization's purpose.

Reward Systems: Transactional leaders attempt to maintain organizational equilibrium and are utilize contingent rewards and management-by-exception. Traditional managers develop exchanges or agreements with followers and work within the existing culture, making decisions framed by operative norms and procedures. In contrast, transformational leaders reward followers when they apply rules in creative ways or break existing rules when the overall mission of the organization is best served (Bass & Avolio, 1993).

Detractors of transformational leadership point out several problems this process. Transformational leadership has a triple attractiveness (Inkson and Moss, 1993): simplicity in conceptualization, the implied promise of effectiveness and a

“romantic” imagery of leader-as-hero. The process of transformational leadership goes beyond the follower identification of charismatic leadership into a proactive transformation of the organization. The process of transformational leadership can be largely explained by the psychological mechanisms of transference, projection and attribution (Popper and Zakkai, 1994). These psychological factors particularly skew subjective assessment in situations when followers judge leadership and superiors judge performance, often leading to popular stereotype thinking (Inkson and Moss, 1993). By changing the psychological frame of reference, transformational leadership changes reality for the constituent actors, providing a shared epistemology, similar to the concept of the creation of social reality presented by symbolic interactionists (Williams et al., 1983).

The usefulness of transformational leadership is in relation to the business climate. In a stable business and psychological environment, transactional exchanges are expected and desired. During the uncertainty of the change process, charismatic and transformational leadership provides psychological security (Zaleznik & Kets de Vries, 1975; Kets de Vries, 1989).

Although transformational leadership does not have the monolithic qualities espoused in many prescriptive systems, it often fails to take into account environmental and systemic forces (Popper & Zakkai, 1994). It is thus advocated in all situations and environments by its advocates. Transformational leadership seems to be based on common quest for a “philosopher’s stone” of universal leadership style and draws from the power of a common cultural archetype of the leader as

hero (Inkson & Moss, 1993). The leading advocates of the use of transformational leadership are all practitioners rather than researchers, and have a personal agenda of consultation and marketing. Thus, the primary problem with transformational leadership is the lack of comparative, research based analysis of its nature and effectiveness.

In summation, transformational leadership represents a leadership style which attempts to modify and transform traditional systems and beliefs through the use of an institutionalized ethical system. I feel that transformational leadership is an attempt to address not only expedient issues facing competitive business, but also represents a philosophy which addresses and attempts to resolve the larger forces of modernity affecting the individual within society. The core values of transformational leadership both provide a moral compass in a relativistic society and marketplace and also seek to resolve the diverse spheres of morality into an ethical and consistent whole. I, thus, see transformational leadership as an attempt to provide the collective conscience necessary to confront the moral anomie of the organic society and reorient the individual to subordinate their particular interests for the benefit of the corporate collective. The ethical approach of transformational leadership can be extrapolated into a larger societal context, in which the alienating forces of modernity are confronted on a local or national level. This undertaking is the foundation of a recently developing social movement, called the Civil Society Movement.

The Civil Society Movement

Previous sections of this work have been based on Weber's legal-rational view of the modern capitalist world. In *The Division of Labor in Society*, Durkheim (1933) views the modern industrial world as a *sui generis* moral entity, providing another perspective on the motivating forces within society. In primitive societies, institutions such as the family, religion and politics provided an ethical standard that conveyed direction and meaning to the individual. Durkheim contended that Corporations were originally based on a domestic model and it is interesting to note that the industries that have highly cohesive and consistent standards of internal ethics, such as international diamond merchants and several industries in India, were originally family or clan based. These modern industries reflect a residual of family-based value systems. Modern capitalism removed industry from the family setting and both centralized the means of production and increased the division of labor. During this process, corporations took over occupational societal roles, providing an ethic which became increasingly influential on both the individual and the nation. The increased complexity of the division of labor and the increased importance of the corporation in daily life causes the individual to have both a greater independence and a greater dependence on society (Sadri & Strinchcombe, 1993). The increased societal dependence of the individual has caused the ethic of the marketplace and bureaucracy to increasingly permeate all social institutions throughout the twentieth century.

Not only is the morality of the marketplace at odds with the morality espoused by traditional institutions, but the perception of traditional institutions within society is itself undergoing a transformation. Institutions which once provided a social foundation and social compass, such as the church, the political system, and the family, are not only declining in importance, but are being perceived as causing, perpetuating and exacerbating social problems, thus making the institutions part of the problem, and not a viable solution to social ills. This perception not only strips the mythic power and authority from traditional institutions, but creates a moral vacuum and relativism that dissipates the collective conscience of the society. A declining collective conscience and high juridical anomie increases individual isolation and relativism. Forces of modernity, such as egoism and juridical anomie, further serve to both exalt the individual and increase individual isolation (Durkheim, 1964). Because socially constructed collective attributes of similarity are eviscerated, individuals are released to choose their own loyalties and affiliations (Sadri & Strinchcombe, 1993).

Without an intervening moral power to limit human passion, the power of the strongest destroys or provisionally subordinates the weaker , perpetuating a chronic state of war within the marketplace. This state of war is justified by an appeal to individual liberty. Durkheim contends that true liberty only comes from regulation and social rules imposed by the authority of the collective (the domain of liberty). Institutions within society are seen to give continuity and perpetuity to social action, and have the potential to alleviate anomie and the dissonance caused

by differing ethical spheres within society. A central question raised by Durkheim concerns the authority which permits collective elaboration to establish determinant links for social behavior that are necessary to constitute the system of rules needed for social restraint and direction.

If collective action produces the stability necessary within society, a subsequent question is raised concerning the necessity and responsibility of individual contribution to the collective. Moral action is the behavior that the individual makes for the benefit of the group. The individual has to balance individual interests with moral action. The challenge in the modern world becomes the yielding and balancing of individual interests for the collective good in order to achieve social solidarity. Durkheim (1933) states: "Social factions spontaneously seek to adapt themselves to one another, provided they are regularly in relationship. Nevertheless, this adaptation becomes a rule of conduct only if the group consecrates it with its authority. A rule is not only a habitual means of acting. It is, above all, an obligatory means of acting, which is to say, withdrawn from individual discretion." The subordination of particular interests to the general interests is seen to be the source of all moral activity. As this collective sentiment grows more precise and determined, it applies itself to the most ordinary and important circumstances of life, and is translated into definitive formulae, and thus becomes established as a body of moral rules. Rules are perpetuated by internal organizational processes, external circumstances, social utility, and an individual appreciation of order.

The organization, as well as the individual, must have a sense of social

responsibility in order to provide a regulatory and directive moral imperative.

Transformation of the society is only achieved by creating a moral unity suited to industrial society. The syndicate or occupational group (corporatism), was predicted by Durkheim to become a public institution and be the predominant agent establishing an occupational ethic and order within society. In order to overcome the opposition of the weight of history, a new organizational form would have to emerge, which is based on the principles of respect for the individual, the offering of equality of opportunity, democratic participation through occupational categories and reliance on a internal ethical standard. Organizations based on transformational leadership are based on such principles and standards of internal ethic, addressing both the physical and higher order needs of employees. Organizations based on transformational principles attempt to reconcile the divergent spheres of morality encountered in society by providing a consistent ethic. These institutions often feel a larger social responsibility, as well as responsibility to their employees.

It is seen, then, that both an individual social responsibility and institutional ethical solidarities need to be established in order to transform society. In this light, Durkheim makes an urgent appeal: “Our first duty is to make a moral code for ourselves.” The emergence of such a secular moral code is evidenced not only within the development of the contemporary business ethic, but also in an newly emerging social movement affecting society on a national level, the Civil Society Movement.

Civil Society can be broadly defined as the domain which mediates the opposition inherent between the State and private sectors and which offers citizens the opportunity of voluntary participation in public affairs (Barber, 1996). Social problems within the community are handled at the community level by citizens working in concerted action. This concept of voluntary, concerted action is leading to the construction of a network of interests, forming a broad-based coalition of conservative, liberal and libertarian political organizations. In addition, the emphasis on community-based action is building local coalitions of religious and secular social organizations, all dedicated to meeting the common good. As a movement emerging within the last four years, the Civil Society Movement derives its impetus from economically and politically conservative elements, who view both business and local social organizations as being the mediating institutions in civil society, and who incorporate the ideology of an emerging conservative secular theology in their orientation to these institutions (Fort, 1996). Within the tenets of this secular ethic, citizens meet social needs by creating personal wealth and voluntarily distributing resources within the community. This volunteerism meets both social needs within the community and the higher associational needs of the participants. The emphasized social characteristics that are seen to be inherent in and representative of a resurrected public voice include: commonality, deliberativeness, inclusiveness, provisionality, listening, learning, lateral communication, imagination, & empowerment (Barber, 1996).

This section will examine the historical influences of the concept of civil

society, and then present the ethic and characteristics of the modern Civil Society Movement. The contemporary Civil Society Movement will be broken down into three sections: (1) the moral code for social action and the redefining of civic virtue, (2) the political ethic and activities, and (3) the economic ethic and characteristics. Each of these sections will encompass underlying assumptions, elements of historical development, and current and future activities of the Movement.

In order to more accurately define the parameters of the concept of Civil Society, the historical influences to this concept must first be considered. Previous sections of this work elaborated on the ascendent influence of business organizations and widespread bureaucratization of society in the nineteenth century. The interdependence of workers to organizations and bureaucracy was exacerbated as they became increasingly tied, through wage dependency, to a lifestyle marked by minimization of risk and high consumption (Demko and Jackson, 1995). The historical concept of the civil society developed in the seventeenth & eighteenth centuries and has been revived as a socio-political debate largely after the fall of Communism in Eastern Europe in 1989, when a need for social reorganization was felt throughout Europe. The fundamental concept of contemporary Civil Society is that it is a kind of imagination that attempts to identify, represent, & legislate some basic unity in the experience of being human, and that expresses the human urge toward collective action. An example of this can be seen in Marx's approach to society. Reflecting the mystic German worldview, which emphasized the essential

self and the realization of the infinite, Marx criticized civil society because it separated human beings and stymied their fundamental communal nature. Marx intended to realize the infinitude of the essential self and adopted a radical view that sought a new community in which everyone could equally enjoy the infinitude of the essential self in reality. Marx's historical materialism constructed a theory of human beings, proposing the necessary law of history, through which the human being first loses the essential self and then recovers it.

Tester (1992) noted five prevalent philosophical approaches which have influenced the historical development of the concept of civil society: (1) The views of Agnes Heller, John Locke, Georg Simmel, and Adam Smith hold that civil society is best understood as the sphere in which individuals are confronted with the reflections and implications of their actions and sentiments. (2) Sigmund Freud and Norbert Elias felt that civilization itself was established by civil society's ability to regulate the irrational and wild impulses in human beings. (3) Friedrich Nietzsche, Max Weber, and Michel Foucault approached modernity as a problem to be interrogated rather than a system to be improved, and emphasized the consequences of modernity's civilizing processes. (4) Antonio Gramsci's and Carl Schmitt's perspectives on the contradictions of modernity & its political orders emphasize the limits of the civil society, arguing that the civil society was a means by which the existential and interpretive flux and strangeness of modernity could be accounted for and controlled. (5) The philosophies of Immanuel Kant and Edmund Burke explored the collapse of moral universality in modernity and the contradictions

inherent in the aesthetics and moral spheres of the civil society. These philosophies represent the diversity of roles and models that make up the historical concept of the civil society.

Civil society is constructed in opposition to the natural state of a society and is seen to be composed of free and equal individuals. Thomas Hobbes and Adam Smith represent two paths in the discussion of this problematic opposition. Hobbes resolved the tension between the individual and their responsibility for sociability by subordinating the freedom and autonomy of the individual to the sovereign will, thus formulating a political solution. Smith resolved the tension in the context of the identification between private and public spheres of interest, formulated as economic principles. For Smith, with freedom and autonomy subsumed in a system of economic causality, these principles become only external formalities.

In addition to political and economic views of the role of democratic civil society, Rueschmeyer, Stephens, Charles Tilly, and others tended to see democratization as a struggle for power in which democracy is pushed from below and is resisted from above. Democratization becomes the result of a process of bargaining and negotiation, the outcome of which depends on how much political leverage each side is capable of exerting. Thus, the civil society provides the consensus and coalition needed to increase democracy and overcome tyranny within a society. Another view of democratic civil society, represented by Andrew Arato (1972, 1978), among others, tends to emphasize the self-limiting aspects of democracy and views democratization not as a struggle for power, but as an attempt

to construct and defend a zone of societal autonomy. While the collective action of civil society can be thought of as an instrument wielding the transformative social changes found in charismatic leadership, Arato's view of the role of democratic civil society is closer to that held by contemporary reformers. Civil Society must form a separate and autonomous zone of authority and responsibility, resisting the excesses and incompetence of centralized government, and providing solutions to local social problems through voluntary collective action.

Although the fundamental definition of the contemporary civil society is still hotly debated, most schools of thought orient themselves to viewing civil society within the representation of Jurgen Habermas's (1989, 1996) concept of the public sphere, which refers to a space between civil society and the public authority of state and court. Critics of this view feel that Habermas's attempt to separate civil society from public authority led him to idealize bourgeois individuality as the advocated model of social behavior and to posit an existence in which the State & civil society are in perpetual conflict (Horowitz & Maley, 1994). A response to this approach can be found in Herbert Marcuse's position that the history of rationalization is systematically related to instinctual behavior, and thus can be rationally directed and transformed by collective action. Although widely placed in a Habermasian or even Parsonian context, both reflective of the political culture concept and the modernization theories of the 1950s and 1960s, it may be contended that the contemporary concept of civil society is embedded in a conceptual network of historical precedents and philosophies which comprise Anglo-American citizenship

theory. If an approach is taken of the historical sociology of concept formation in order to analyze the internal dynamics of this conceptual network, it is found that the narrative structure of the conceptual network (the Anglo-American citizenship story) combines with an epistemology of social naturalism to form a metanarrative that serves to both construct contemporary socio-political reality and whose complexity constrains empirical research in political sociology (Somers, 1995).

Building on the historical influences shaping the socio-political debate of the role of civil society, the contemporary Civil Society Movement is currently seeking to transform national morality and institutions. The foundation for this transformation is a rationally derived secular ethic similar to that found in the contemporary business organization, which views the individual as a valuable resource whose energies and talents must be respected, developed and focused in order to achieve both social reformation and individual self-actualization.

The moral code of the Civil Society Movement is a reinterpretation and redefinition of traditional and Christian morality. An early influence was Veblen's vision of a natural Christianity in his essay, "Christian Morals and the Competitive System" (Leathers, 1986). Veblen's was in turn inspired by Edward Bellamy's utopian fiction. Bellamy's (1942) concept of a "Great Revival" of a religion of solidarity in his essay "Republic of the Golden Rule" inspired Veblen's prediction that the Christian principle of brotherly love would overcome the morals of pecuniary competitive business. Both Bellamy and Veblen shared a negative view of

institutional Christianity but saw the impulse toward brotherly love underlying Christian morals as a revolutionary social force. Traditional interpretations of civic virtue relied on a public definition of virtue, and on the idea that morality is equivalent to the common good. In redefining the modern conception of civic virtue, the Civil Society has abandoned the universal conception of virtue, and instead links the individual to society through sociability rather than morality (Seligman, 1995). In this contemporary view, virtue is determined internally through the assumption of an objective and a neutral third-person perspective. However, the relativism of this form of virtue has led to the collapse of morals at the broader community, social, & national levels. The challenge facing the social reformers of the Civil Society Movement is to establish the popular recognition of a form of virtue that is defined and executed in both the public and private spheres.

The moral code of the Civil Society Movement is formed through the devaluation and trans-valuation of traditional and Judeo-Christian virtues into relative values (Kemp, 1996). Although the moral code of the Civil Society Movement is itself based on relativism, adherents to this code see the relativistic moral values of society, which have gained social momentum since the upheavals of the 1960s, as threatening to unravel the collective moral fabric and degrade the social cohesion of the nation. In response to this degradation, the Civil Society Movement rejects the solutions offered by centralized government, and looks to private and grass roots institutions to define and solve moral problems. Inherent in this movement is a new call to moral duty, social responsibility and appropriate

behavior. This view reflects de Tocqueville (1964) admonishment that “if America ceases to be a good country, it will also cease to be a great country.”

Bureaucratic approaches to social ills are seen to service, rather than solve, problems. Legal and legislative action is therefore rejected, in a belief that problems are institutionalized, perpetuated, and exacerbated through these approaches. Thus, the inefficient and ineffective actions and power of Government must be checked by broad popular participation in civic organizations. It appears to me that the civil religion or religion of humanity adhered to by the members of the Civil Society Movement is a return to Durkheimian Anthropocentrism, paralleled by Robert Bellah’s (1991) concept of civil religion, Marshall’s social ethic and solidarity, and Dahrendorf’s Durkheimian secular holiness. Durkheim’s position on the object and nature of social religiosity was expressed in terms such as culture of man and public religion, and also incorporated the concepts of patriotism and individualism. It would seem that the civil religion of the Civil Society Movement is a emergent, relativistic concept denoting a secular religion in the context of the post-Christian West. This ethic is reflected in both the political and economic spheres, which will now be considered.

The political ethic of the Civil Society Movement reflects a view of citizenship through the social sector. The call for each individual is to a life that is ethical, moral and socially productive (Crane, 1996). In order to enact social change, one stream of the Civil Society Movement works within grass roots society and appeals to

individual social action. Another stream is represented by persons such as William Bennett, who work within the political system and seek political solutions to cultural reform. The political ethic supports and empowers an autonomous, self-governing social sector of community organizations whose purpose is to provide needed community services and to restore the bonds of community and active citizenship (Drucker, 1993).

Underlying assumptions of the political ethic are that: (1) human beings are benevolent and rational, (2) people need increased social expectations and proprieties and want to conform to social standards, (3) people will accept collective responsibility if given the opportunity to participate. Conversely, the assumptions held by the political State are that: (1) people don't know right and wrong, (2) people don't want social responsibility, and (3) people must be cared for. Based on these underlying assumptions, the Civil Society Movement appeals to human dignity and seeks the fulfillment of human potential through personal sacrifice (Crane, 1996). The Civil Society Movement seeks to portray individual contribution to social reform as an ennobling and honorable method of self-actualization. It is interesting to note that these points are similar to the ethic encountered in the contemporary business organization.

Government is seen to be increasingly usurping the responsibilities that are considered to be in the realm of the civil society, thus breaking the bonds of community. The Civil Society Movement contends that civil institutions have failed to check the growth and influence of government in recent years. Reasons for this

belief are based on the growth of government over the course of this century. Statistics reveal the following pattern (Crane, 1996): At the beginning of this century, government spending was less than 10% of national income. In 1950, government spending rose to 26% and today is at 43% of national income and is rising. Critics contend that this growth not only diminishes the authority and cohesion of the private social sphere but also depletes the resources of the public sector.

Additional friction is derived from the differences in epistemology between civil society and the State. The epistemology of the Civil Society is based on rational, self-made choices, while that of the political sphere is based on imposed choices, removing social responsibility from individual citizens. Civil Society is inherently based on reason, persuasion, and volunteerism, approaches which are without personal recourse to coercion. This is in contrast with political and legal actions, which are coercive in nature. In order to fundamentally change society, the human capacity for values must be expressed as habits (the concept of ethic is derived from the Greek *ethike*, meaning habit) and skills, which are reflected in the activities of churches, charities and voluntary civic organizations, which provide both the opportunity and practice of individual civil action.

The initial goals of the Civil Society Movement are largely symbolic and designed to raise public consciousness and to familiarize society with a new ethic. The initial challenge faced by a new social movement is the creation of conceptual changes, since these concepts restructure the dominant logic of social organization,

thereby creating new forms of knowledge and meaning within the society (Piccolomini, 1996). Within recent decades, political and media institutions have attempted to utilize this approach of cognitive restructuring, redefining words and concepts to structure them within a dominant paradigm of social modernization.

I think that a problem arises with the theoretical affiliation and association of the Civil Society with the concept of Habermas' "public sphere". The "public sphere" reflects a bourgeois socio-economic strata that tends to exclude "identity politics," the democratic inclusion of women, racial and ethnic minorities (Calhoun, 1993). These minority groups are clearly subject to the same State and part of the same civil society, so major questions arise concerning membership, association, autonomy, civility, and communication within this emerging movement. Questions of membership and the identity of the political community must be clarified because concept and exercise the public sphere has the capacity to both alter civil society and to shape the State. Participation always holds the possibility not just of settling arguments or planning action but of altering identities (Calhoun, 1993). These questions also point out the reciprocal relationship between the identity of the political community and the activity of the public sphere, in which the identity of the political community is both a product of, and a precondition to, the activity of the public sphere of civil society.

In formulating the economic ethic of the Civil Society Movement, cutting-edge conservative thinkers, representing a concept known as mature conservatism,

discredit the notion that capitalism is an engine of not only economic but also social progress (Starobin, 1997). For decades, conservative elements, who would eventually constitute the driving force of the Civil Society Movement, criticized both welfare policy and Big Government as a disruptive, intrusive morally untethered mindsets that rend the fabric of community life. Big Business is also believed to undermine community cohesion through an emphasis on economy of scale and reliance on the cheapest foreign labor markets. Not only were domestic jobs threatened by the trend toward Big Business, but also the ability of local merchants to compete with massive discount chains like Walmart. The failure and disappearance of local family business is viewed as contributing to social anomie.

The underlying assumptions of the economic ethic are: (1) Business is seen as the mediating institution in a civil society. (2) The civil society is built on the industrial and manufacturing classes. (3) Business provides a base of prosperity for democratic action. (4) Through the institutions of civil society and its mediating structures, citizens pursue their own affairs, accomplish their social purposes, and enrich the texture of their common life (Novak, 1995).

Rather than depend on a remote, centralized Government to solve economic problems within the community, the Civil Society Movement advocates solutions through local charitable and religious groups, which provide a grass roots response to community problems. These grass roots activists, also called communitarians, form coalitions to focus information and resources, such as the Civil Society Project (Eberly, 1995). Grass roots action is also supported by political organizations, such

as William Bennett and Sam Nunn's National Commission on Civil Renewal and the National Conference of Volunteerism. There is also coalition building between conservatives and the Left, represented by such liberal groups as the Harwood Group and the Institute for American Values.

In the view of the Civil Society, economic life has to be anchored in the moral and social life of the nation. A historical conflict is seen between the freedom to pursue economic opportunities and the maintenance of orderly communities. The response of the Civil Society is to delimit the boundaries and ethic of trade within a capitalist society. Writers such as Russell Kirk have long warned about the culturally suicidal ramifications of a consumer society, yielding to the egoism and isolation of forces of modernity. Although Adam Smith advocated capitalism as the system providing the best base for a democratic society, the Civil Society Movement more reflects Edmund Burke and Alexis de Tocqueville's emphasis on small voluntary institutions to nurture a healthy community (Starobin, 1997). De Tocqueville (1969) warned that unfettered capitalism could engender "an unhealthy individualism that saps the virtue of public life and at length is absorbed in downright selfishness." Since the 1960s, both moral and economic spheres became polarized and oversimplified. Liberal political and economic solutions reflected an emphasis on education and full employment, while Conservatives emphasized a tight money and low taxes strategy. The permissive, relativist values of the 1960s became institutionalized in liberal-secular economic and political enclaves such as universities, Madison Avenue, and the entertainment and news media. The

Religious Right emerged as a reactionary phenomenon to the increasing social relativism and fragmentation. The ethic of the civil society attempts to solve problems in the economic and educational spheres. By increasing both personal wealth and social conscience, resources can be accumulated and disseminated throughout the community.

Van Luijk (1994) contends that the ethical behavior observed in both the organization and society should be analyzed not in terms of motives but action structures. He proposes three basic structures or categories to human action: (1) self-directed, (2) other-including, and (3) other-directed. These structures, when linked with the concepts of interests and legitimate claims or rights, lead to a taxonomy of moral behavior in business that can be described as transactional, recognitional, and participatory ethics, respectively. The Civil Society Movement advocates the participation, valuing and empowerment of the individual citizen in the forum of civil institutions, to the end of defining, shaping and reforming national culture, as well as curtailing the power of the state. This is a similar process to the valuing and empowerment of the employee under a new social contract of the contemporary business organization. The reason this is advocated is that some theorists feel that the underlying assumptions of humanity that reflect the market rationalism of traditional bureaucracies are one of the factors undermining civil society (Pusey, 1996). Thus, the economic ethic of the Civil Society Movement advocates the alignment of private sector business with new principles of morality, adding impetus to the social movement as well as becoming a focusing and revival of

capitalism. Post-capitalist society must be based on organizations that take responsibility for the environment, social welfare, and the legitimate exercise of their power (Drucker, 1993). Durkheim (1933) predicted that business may become the institution that provides the moral center to lead a social transformation. Towards this end, the social transformation found within the contemporary business organization has the potential to affect and align with a broader secular ethic transforming society as a whole.

In this light, the resolution of another historical conflict may be coming to pass, between capitalism and the Catholic Church, which historically has been neutral or adversarial to capitalist gain (Weber, 1958, Novak, 1993). Uniting the ethic of the contemporary organization to the ethic of the Civil Society, religious leaders are forging new alliances and assuaging old wounds. Novak (1995:pp 47-48) illustrates this connection by stating:

It is his disciplined work in close collaboration with others that makes possible the creation of ever more extensive working communities which can be relied upon to transform man's natural and human environments.

Important virtues are involved in this process such as diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationships as well as courage in carrying out decisions which are difficult and painful, but necessary both for the overall working of a business and in meeting possible setbacks.

Pope John Paul II recently exhorted that the study of business organizations yields

"practical light on a truth about the person" and "the Christian truth about the person." In addition to these statements, sections 32, 33, and 42 of the 1991 Papal encyclical *Centesimus Annus* connected business ethic with community action:

The church acknowledges the legitimate role of profit as an indication that a business is functioning well. When a firm makes a profit, this means that productive factors have been properly employed and corresponding human needs have been duly satisfied... In fact, the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a community of persons who in various ways are endeavoring to satisfy their basic needs and who form a particular group at the service of the whole of society. Profit is a regulator of the life of a business, but it is not the only one. Other human and moral factors must also be considered, which in the long term are at least equally important for the life of a business... It is the responsibility of the corporation to establish within the culture of the firm a sense of community and respect for the dignity of persons, including a respect for the standards, the discipline, the motivation, and the teamwork that brings out the best in people, and helps them gain a sense of high achievement and human fulfillment. The business corporation is, in its essence, a moral institution of a distinctive type. It imposes some moral obligations that are inherent in its own ends, structure, and modes of operation. Other moral obligations fall upon it through the moral and religious commitments of its members.

The connection between business ethics and the civil society has a long historical association. De Tocqueville (1969) noted that one of the greatest strengths of this country “was the delight Americans took in forming associations, in cooperation, and in team work.” Drucker (1983) sees profitability as “simply another word for economic rationality. And what other rationality could there be to measure economic activity but economic rationality.” Profit is seen as a “yardstick” or “indicator” to create new wealth and new opportunities for social service, as well as providing technical progress and opportunities for upward mobility within the society.

The economic ethic of the Civil Society Movement reconciles profit and community action by advocating informed and enlightened citizen action. Such action is seen as society’s only hope of providing sustainable development by contrasting the contemporary focus on wealth accumulation with the transformative power of civil society. In the Civil Society, money serves as both a medium of exchange and as a storehouse of value enabling social change. Its function as a medium of exchange is purely utilitarian, but its function as a storehouse of values makes it a powerful instrument of either transformation or alienation.

Similar to the immediate political goals of the Civil Society, the current focus of the economic ethic is the raising of consciousness of business organizations and the admonition that corporations do their duty as good citizens (Starobin, 1997). William Bennett and national political organizations such as the National Coalition of Black Women are putting political pressure and censure on industries considered

morally detrimental to civil society, such as Seagrams and the cigarette industry. Another strategy utilized by the Civil Society Movement is persuading big institutional investors to boycott certain industries such as Disney, a tactic that was done effectively against the racist policies of South Africa (Maltby, 1996). The emphasis in the use of Government power appears to be the use of federal regulation to blunt the edges of the industrial age, deploying the force of government as a counterweight to the capitalist system. Legislative activists also try to support the grass root levels of the Civil Society Movement, providing legislation that allows economic assistance to be performed at the state or community level, and rewarding donation to local charitable organizations, such as Dan Coats proposed “compassion tax credit”.

The debate over the nature of Civil Society extends beyond the economic and social changes experienced in the United States. Since the fall of the Communist Bloc, both Eastern and Western Europe have actively pursued societal engineering. Forces such as the need to establish emergent democracies in Eastern Europe, the social and economic reorganization of the European Community, and the attempt to convert effectively to a post-industrial economy all demand radical social transformation within the society. Other factors requiring radical social change in the international arena are the trend towards the globalization of markets and society through information age, the turning away from the nation-state as a movement focus, the changing of business organizational structures from national to

transnational networks, and the increasing influence of micropolitics and the public focus on discourse and culture.

Such radical social changes lead to social fragmentation rather than cohesion and foster disenfranchised or subaltern groups, the fragmentation of class as a collective identity, increased socio-economic differentiation and inequality in civil discourse concerning the nature of the Civil Society. Part of the problem with creating new social paradigms is that traditional concepts of modernity and nationalism are becoming increasingly obsolete. For example, the concepts of modernity and modernization embodied in the sociology of Max Weber reflects a grounding nationalism and the nation-state, concepts which are quickly transforming in the postmodern world. The nation-state typically emerged through the idea of ethnic coherence, which is why the modern state is described as a nation-state. Ethnic diversification and multicultural politics challenge the idea of the political grand narratives of national democracy, coherence, & national unification. Thus, one major aspect of postmodernization is the impact of cultural globalization on the cultural coherence of the nation-state via such processes as tourism, migration, cultural exchange, and the politics of aboriginality. The epistemological debate in postmodern nations concerning localism, contextualism, and difference is thus the mirror of the diversification of the cultural basis of the polity in postmodern societies.

Additional problems arise from the European debate concerning the many different meanings and roles of the Civil Society. Proposals for the fundamental

definition of Civil Society in this debate are primarily derived from de Tocqueville's democratic republicanism, Hegel's *bürgerliche Gesellschaft* and Gramsci's *società civile*. In Germany, the concept of civil society refers to Charles Taylor's reading of John Locke and Charles-Louis de Secondat Montesquieu. Also of importance are de Tocqueville's "art of association" and "civility", the equitable treatment of others as fellow citizens however different their interests and sensibilities (Bryant, 1993).

Conceptual difficulties arise in the debate because these particular sources tend not to distinguish between secular institutions, unlike the differentiations of Kumar's or Habermas' public sphere of the household, the marketplace and the State (Kumar, 1993). The concepts of Civil Society do not lend themselves readily to cultural diagnosis or analysis, largely due to a failure of theoretical proponents to decide between a hermeneutic, methodological approach and a classic explanatory analysis or to decide between Locke's theory of social contract and de Tocqueville's liberal republicanism. Thus, the social results of the International Civil Society debate have been ambiguous, representing only possibilities and potentials for societal transformation and democratization.

In summation, the Civil Society Movement is an attempt to reconcile the disparate codes of morality found in the spheres of everyday life. It is an approach to increase the common good, promote democratization, solve social problems and curb the political, moral, and economic elements leading away from national cohesion and a collective conscience. The Movement is founded on a rational,

secular-humanist ethic similar to that encountered in the contemporary business organization. The central question which must be resolved by the Civil Society movement concerns not merely the existence of the separate autonomous realities of state and society, but, more importantly, the nature of the interaction between them. In order to effectively study this movement, social scientists must turn to the traditions of thought that center on democracy, citizenship, and constitutionalism (Kumar, 1994).

This literature review has concentrated on the presentation of a new secular ethic which has emerged within contemporary business organizations, within the national culture, and within international socio-political thought. The interpretation and exercise of this ethic has led to a fundamental change in relationship between management and employees. Aspects of organizational culture were noted which influence the social relationships within the organization. The theoretical change in relationship was found to be embodied in the practical paradigm and technique of transformational leadership. Similar aspects to the new social relationship were also seen in the direction, ethic and political and economic actions of the Civil Society Movement

CHAPTER 3

CONCLUSIONS AND IMPLICATIONS

The ethic of the Civil Society Movement represents a rational, secular social covenant that seeks to enfranchise persons within a community culture and to solve social ills within society. The initial objectives of this movement are cognitive and systemic reorientations within society. This reorientation is accomplished through a redefinition of citizenship and social responsibility and the creation of systems that will allow individual participation in meeting community problems. The process of social transformation is based on a consensus derived from a debate establishing the nature, role, and actions of a Civil Society, and enabled by voluntary individual contribution of skills and resources within the community. The main difficulty I determine with this relativistic ethic is the need for the Civil Society Movement to reach a concrete, operational consensus concerning membership and participation in the formative debate concerning the Civil Society, and the creation of a process of upward mobility that will allow major population segments to be enfranchised into a common community culture.

Also of concern to me is the formation of institutions that will provide leadership and structure for the focusing and dissemination of resources at the local level. The downward shift of resources, power and responsibility to state and local

levels mandates the institutionalization of the social agenda of the Civil Society Movement. The amount of cognitive reorientation within the community and the way in which the ethical values of the movement are institutionalized will determine the direction and success of this approach.

I contend that a more fundamental problem exists within the United States that will impede the transformation of society, particularly concerning problems associated with multiculturalism, race, or ethnicity. The United States is the nation which most reveres and defends individualism and competition. As Durkheim (1933) points out, individual domination (state of war) is defended within the society in the popular concepts of freedom, personal liberty and rugged individualism. This mindset presents a common cultural metaphor or archetype in which social elements are primarily competitive and adversarial, the archetype of the warrior (Pearson, 1989). The warrior archetype, characterized by a win/ lose mentality, is commonly seen in the marketplace, the classroom and even the social relationships of individuals. Once an individual identifies with the warrior metaphor, their relationships in many social spheres become adversarial. In an adversarial schema, the differences in opinions, policy positions or perspectives of life are primarily seen and reacted to. The adversarial response forms a spectrum of behaviors, ranging from physical or mental attacks on those persons holding differing views, to varying degrees of confrontational advocacy of a personally held position in an attempt to change the views or position of another, to a state of false peace based on the avoidance of “unreconcilable” issues that will cause social disharmony.

The understanding of the cultural archetype is relevant, and vital, to social transformation in that the social relationships perceived in the context of the metaphor will determine both how society is viewed and mandate and delineate the type of solutions that can be proposed. Thus, those persons personally identifying themselves with the “warrior” archetype not only can see differences between personal positions or opinions, but must only see these differences (Sheldrake, 1995). Under this archetype, there can be only compromise, never reconciliation, growth and harmony. The current attempts in society to achieve genuine acceptance, respect and equality of opportunity must at some point fail if the social metaphor is based on valuing adversarial criteria. In order to achieve true society enfranchisement and equality, a new societal archetype must first be created which values growth and coalition building. This new metaphor must be envisioned in a simple, concrete manner and must ultimately be presented to and accepted by a large segment of society. Only with the popular acceptance of a metaphor which emphasizes and values the similarities of social elements will actual reconciliation and enfranchisement be attainable within society. I would contend that although this process may take time, the acceptance of a new cultural archetype is foundational and prerequisite to additional and lasting social change. Although the valuing of multicultural (and personal) differences is engendered to some degree in the ethic of the contemporary business organization, this ethic is encased in an institutional archetype which operates in an adversarial manner, its economic interests at odds with a common market ethic and a larger social responsibility.

In the sphere of the contemporary business organization, I see two primary challenges facing these institutions: (1) the creation of a culture and systems that will continually innovate in response to changes in environmental factors, and use the tension of change and chaos to energize, motivate and focus corporate activities, and (2) the creation of an industry-wide culture that will permit the development of the radical and alien organizational configurations of the next century. The current ethic of the contemporary organization appears to be transitional, presenting a methodology and a cognitive construct for analyzing, challenging and modifying the processes, roles and systems of traditional bureaucracy. Future research is needed to create a systemic approach to cultural transformation, which will enable the organization to meet the challenges of continual innovation.

In spite of the problems and shortcomings noted so far, the secular ethic of the contemporary business organization and the Civil Society Movement represent a rational, concerted approach to meeting the challenges of the future, the provision of cohesive and directional moral elements within the society, and a solution to solving the chronic problems of the modern age.

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