

Creative Destruction and Human Resources

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ABSTRACT. Discussion about demography of firms and industries is asking not only for the entity of organisations but also for processes of entry and exit. Changes and shifts in the overall structure of enterprises are very often regarded as reflections of market forces which are led by company strategies and their management elites. Too little attention is paid to some overall trends in which deaths and births of firms are embedded. The paper tries to discuss some developments in the structure of the labour force which are regarded as an autonomous interpretation scheme for new occupations, markets and firms. The secular sectoral transformation towards the service sector is connected to the course of productivity which provides in itself the breeding ground for new organisations. Analysing long-term social and economic changes is one of the necessary perspectives to understand recent trends in economy and society and to arrive at a better understanding of future developments. The argument in the paper is a conceptual one which is highlighted by empirical observations. Evolutionary processes of creative destruction must be understood best by an integrated interdisciplinary approach including different aspects of market formations and socio-economic dimensions such as labour market trends, social stratification issues and life-style elements.

1. Introduction¹

Discussion about demography of firms and industries is asking not only for the entity of organisations but also for processes of entry and exit. Demography of firms is a mapping of the landscape of firms and industries and an evaluation of the determinants of change of the population of firms. The paper tries to discuss changes and shifts in the overall structure of enterprises, employment and occupational profiles, not only in the conventional form of looking at company strategies

and their management elites, but also looking primarily at overall developments in the structure of the labour force. Analysing long-term social and economic changes and corresponding changes in occupations and labour market trends is one of the necessary perspectives to understand recent trends in economy and society and to come to a better understanding of future developments.

Management studies are mostly concerned with an evaluation of how strategy effects the structure of businesses. Following this view, the landscape of enterprises will be analysed as an effect of decisions made by management elites. In contrast to this paradigm, the population ecology approach is looking primarily at the development of organisations within special branches in relation to different dimensions of the environment (see e.g. Carroll, 1994; Hannan and Freeman, 1989; Aldrich, 2000). Hence, studies in industrial economics search more explicitly for extent and determinants of firm entry and exit processes. Often these studies concentrate on special industries (Audretsch and Mahmod, 1995; Geroski, 1995; Caves, 1998; Callejón, 1999; Scherer, 2001). Here, the paper presents an alternative fourth way by trying to combine different levels of analysis which comes close to an integrated interdisciplinary approach. It will be shown that studying labour market dimensions has a strong link to the study of organisations and vice versa. Combining different aspects of investigation is an exemplification of what is nowadays called the socio-economic embeddedness approach. Of course, the study does not regard itself as a “better way” of doing research but only as another analytical perspective to highlight the complexity of firm dynamics. No answer will be provided concerning “exit” and “entry” but the parallelity between sectoral changes at a macro level and the implications for the contingent of firms will be indi-

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cated. As the title of the essay already indicates, the central thesis of the paper is that organisational processes of strategy and structure are socially embedded and historically contingent.

2. Historical issues illuminating the debate on the future of work

In the context of recent popular discussion on the “future of work”, it seems increasingly important to also investigate the question of the “history of work”, that is: If we don’t know where we are coming from, how shall we know where we are going to? In this sense, the past illuminates likely future developments and their potential alternatives. The view on “substantial blocks of space and time” (Tilly, 1984, p. 11) helps to separate continuities from discontinuities. Socioeconomic and historical research seems to be a basic need to understand the evolutionary process of modern societies. To put it in the words of Douglass C. North: “Increasing our knowledge of the nature of economic change requires that we utilise the only laboratory we have – the past” (North, 1997, p. 1).

Concerning many phenomena which are currently being discussed in economic sociology, in the economics of the firm, and in the fields of industrial relations, my thesis is that some effects of enterprise strategies and long-term trends in the composition of social and occupational structure *overlap each other*. This is the reason for the difficulty when speaking about causalities. The rise of knowledge and expertise, internationalisation, flexibilisation, lean production, externalisation and destandardisation, to mention only some popular key words of recent discussions, will be used in the process of describing “new” economic phenomena in a *monovariate* way. In this way, elements which need to be explained are often regarded as exclusive results of one or the other observation.²

In the last hundred years or so we have seen a considerable rise in productivity which has many different consequences (Bögenhold, 1996). However, all developments have headed in the same direction of establishing a capitalist system of societal production, which has squeezed out almost all other forms of work and production in society. Karl Polanyi (1944) described this in his perception of the “great transformation”,

which with its (disembodied) vicious circle of the markets, first created a system of (market) economy in society. Simultaneously, we have experienced a steady process to establish a labour market (Granovetter and Tilly, 1988) in which the number of self-employed people decreased and that of wage employees increased.

In individual cases this development was dependent upon national prerequisites, the speed of the modernisation process of a country and the type of structural change in agriculture. Table I demonstrates the historical advance of the regime of wage-employment for selected countries for the period after World War II. Even though the process of rising wage-dependent work may have progressed in different ways and different degrees, the principally convergent process of reducing self-employment and increasing wage-employment is remarkable for most of the countries observed.³

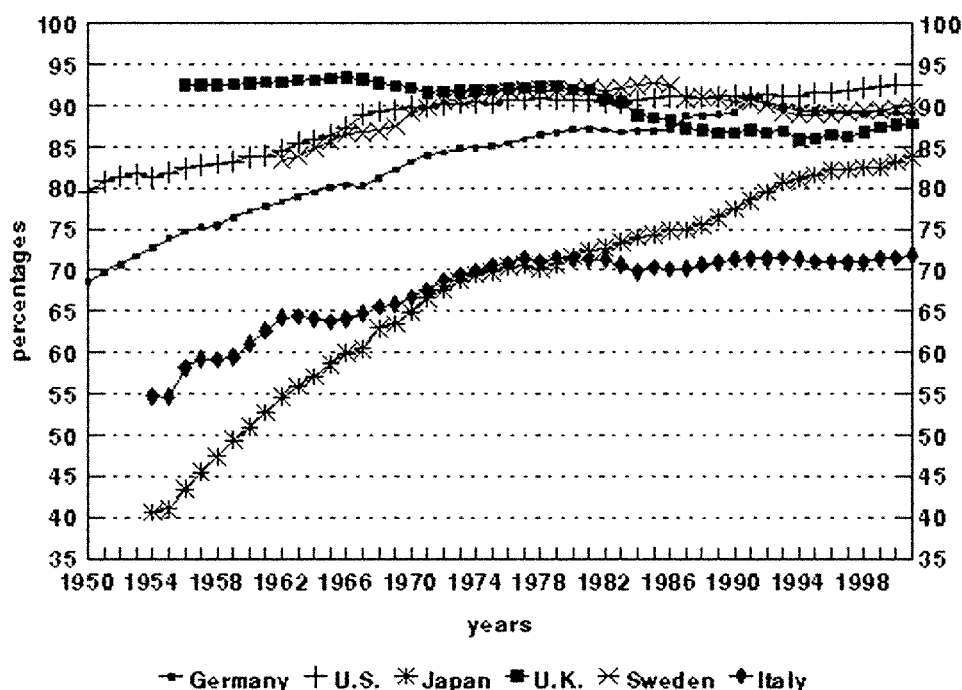
The historically important increase in productivity in the manufacture of goods in the last hundred years, produced further changes in the social, occupational and economic structures. If more can be produced and more quickly with an ever decreasing input of labour, then inevitably the significance of transport, trade, consumerism and (individual) leisure time increases. In Germany for example, the ratio of employment in production to employment in transport and commerce changed from 9.3 to 1 in 1882 to 2.2 to 1 in 2000.

These facts, among others, demonstrate the rapid increase in the role of these spheres as forms of economic activity. The fact that people on average have more (free) time and income creates more demand in the areas of what we commonly call the entertainment and tourist industry, which produces facilities to meet the (historically new) emotional demands and needs of people.

3. Differentiation and the rise of productivity

Max Weber had described and predicted the establishment of the rationality of capitalism and with it the development of the “impregnable cocoon” of the objectified world (Weber, 1979, p. 188). In his reflections on the sociology of legislation, Max Weber had introduced the “Janus-like double-headedness” of the formal “liberal” type of employment contract (Weber, 1972, ch.

TABLE I
Rates of wage-dependent work on international comparisons (1950–2001, percentages of total employment)



Source: Own Calculations on OECD: Labour Force Statistics, Manpower Statistics & Labour Force Statistics, Paris, various years.

VII), which effectively obeys the law of the strongest. However, the establishment of the rationality of capitalism was simultaneously “diagonally” affected by changes in the structure of occupations and social conditions in another direction.

The rising historical process of “proletarianisation” did indeed result in the decimation of self-employment and the advance of wage-dependant work and the increase of a labour market. But that did not mean, as many contemporaries of a hundred years ago assumed, that the living, working, and social conditions of people became ever more uniform. Alongside the trend of the standardisation of working life, diverse processes of differentiation can be found since the beginning of capitalism which, with the increasing complexity of labour within society, rise rather than decrease (Bögenhold, 1995).

The first writer who tackled the question of service sector dynamics and the rise of white-collar work in a broader and systematic manner

was Emil Lederer.⁴ His habilitation thesis about “Die Privatangestellten in der modernen Wirtschaftsentwicklung” (1912)⁵ may be regarded as a kind of starting-point in the discussion on white-collar work and the role of expert knowledge. Lederer said that the term white-collar work contains a diversity of activities and functions, which exhibit great variation in horizontal and vertical directions. This is, as Lederer pointed out (1912, p. 20 f.), the reason for the difficulties of establishing a unique and commonly shared term for white-collar work. The main common characteristic of white-collar work is the *negative* separation and definition of not being blue-collar work. The range of diversity within the category of the white-collar work would be higher than those between the blue-collar work. Throughout history various works have attempted in one way or another to capture the “new created legions of wage dependant office workers” (Geiger, 1931, p. 125) through total or partial explanantions. This includes, for example, studies of ownership and

control in mature economic organisations (Berle and Means, 1932; Burnham, 1942), of clerical workers and the so-called middle classes (Mills, 1952), and of the increase within society of (specialised) knowledge-based work, and the problem of corresponding semantic classifications (Fuchs, 1968; Bell, 1973; Gershuny, 1978; Singelmann, 1978; Cohen and Zysman, 1987; Sayer and Walker, 1992; Webster, 1995).

With increasingly more thought being given to tertiary developments, the advances in productivity that resulted from the division of labour has already been isolated as a central theme by Adam Smith and Karl Marx. These were pursued from a specific angle, indeed radicalised, particularly within the universal logic of the expansion of the kind of dependant work that does not create a surplus value and is not directly productive. This constituted the key point of the dynamic development of social and economic structures in modern market economies. The tendency towards tertiarisation is paralleled by two further secular trends. Firstly, on the one hand the feminisation of dependant work and secondly the ever-increasing standard of education in advanced industrial societies. The growing integration of women into the (formal) labour market can be observed internationally without exception, but there are differences in the speed of integration and the standard of female participation in the labour market.

4. The shift to services and knowledge

Looking back over the century we see, with the rapid increase of knowledge in the form of school and university education, a creeping revolution in the sense of a fundamental change in social and work structures, to which the technical developments in the economy and the demands which have grown out of them, have certainly contributed. Basically, what we see here are fragmented structures of new social and work divisions with various accentuations but principally following the same tendency. The fragmentation presented itself at the end of the twentieth century as a perfect example of the interdependence of homogenisation and differentiation. What is apparent at social and work structural levels, reveals itself in a similar form from the point of view of the company and economic structure,

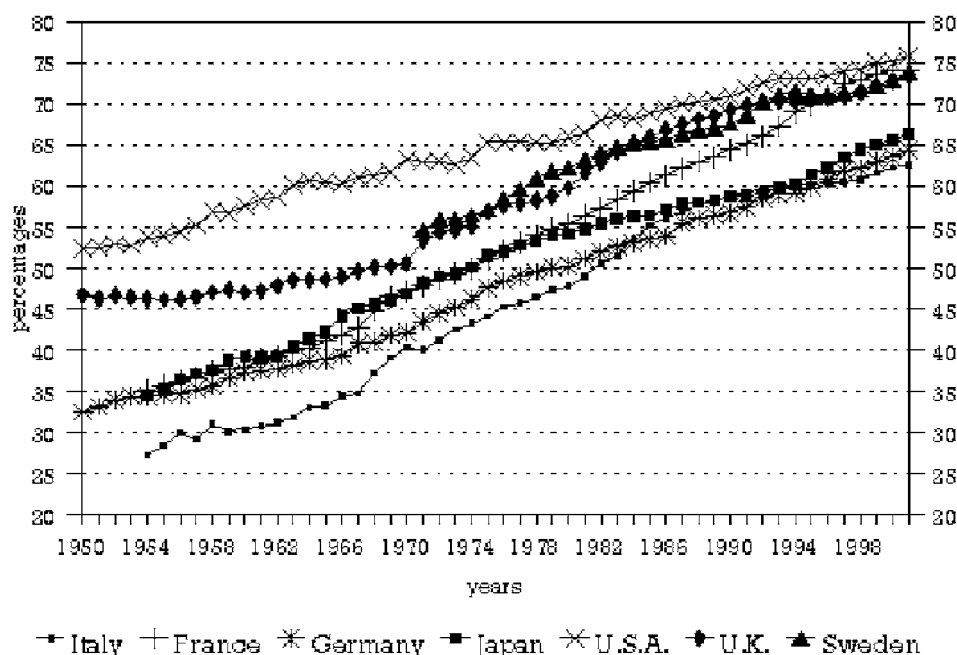
namely capitalism has established itself as a universal logic. But "behind" this observation, however, an underground flow is running which transforms continuously the internal composition of work force.

Table II shows the shift towards tertiary sector employment in different countries for the period. So, in 2001 between 55 and 70% of employment in the countries observed were engaged in the tertiary sector. Despite all differences in the level, the direction of development shows the same universal tendency. However, the lines in Table II illustrate the measurement by the sectoral concepts. This means that all enterprises including their employed people are divided into one or the other of the economic sectors, independent of what the people are doing in reality. In this sense, white-collar work in enterprises, which are summarised to the secondary sector, will be consequently classified as part of the secondary sector or vice versa. Instead of this, a *functional* perspective on the vocations of people in economy provides better information than the sectoral concept does. But the statistical sources of a functionalist concept are more limited, especially concerning international comparative questions.

Table III demonstrates the usefulness of a functionalist occupational classification in the case of the changes of the (west) German structure of employment. Two observations are especially important to become recognised: Firstly, the diverse economic fields have significantly differing compositions regarding the ratio of productive to non-productive vocational functions. The disaggregation for different economic areas expresses the disequilibrium which is hidden when analysing societal developments only at a macro level. Table III clearly shows the same tendency already observed in the discussion above. Whereas the percentage of employed people in occupations with primarily producing functions reduced, all other functions increased significantly. The number of people connected to administrative and sales functions rose dramatically during the same period.

To simplify the information, increasingly fewer people are concerned with directly productive functions in their vocations, but more and more with administrative and technical tasks including clerical work, planning, researching, repairing,

TABLE II
Service-sector employment on international comparison (1950–2001, percentages of total employment)



Source: Own Calculations on OECD: Labour Force Statistics, Manpower Statistics, Paris, various years.

maintaining, supervising, checking and controlling, training and further education and with doing trade or transport. However, differences between gender are obvious. While the remaining productive work is more likely to be done by men generally, female work is more represented in all other activities of the economy. To bring a complex phenomenon to one denominator, those professional groups that Max Weber (1972, p. 179) had described as the “poor Intelligensia and with specialised knowledge”, are meanwhile now well on the way to becoming the majority of society. As far as the work, which is not directly done in productive parts of economy and especially manufacturing, will further expand, it will become an important as well as difficult task to capture it in appropriate words.

We can distinguish at least between distributive, producer, social and personal services as Singelmann (1978) did. For example, the work of an engineer concerned with new genetic or micro-electronic developments differs from the work of an expert in tourism or a musician and this from the work of a gardener, waitress, barman or nurse.

Nevertheless, the continuous increase of formal higher education influences more or less nearly all parts of economy and employment. Despite the differences in the societal level of education and the individual chances to participate in the education system and to obtain qualification, an international convergence and increasing importance of human resources can be observed in all advanced market societies. However, what are the links between the face of economic and occupational structure and the creation of new ventures? In other words: What can be said about the relationship between long-term changes and the emergence of new enterprises within the landscape of organisations?

5. The overlapping of different trends

All changes in the composition of the labour force, as they have been pointed out, are simultaneously a driving force to *and* a reflection of other phenomena in economic life. In opposition to a line of common management research, the systematics of analysis in the paper is preceded by

TABLE III
Employment for predominant activities and gender in Germany 1969–1996 (percentages of all activities in Germany)

Predominant activities	1969			1982			1991			1996		
	All	M	F	All	M	F	All	M	F	All	M	F
Producing	33.5	38.6	24.9	21.9	25.8	15.6	18.0	23.2	12.5	17.4	23.0	9.6
Maintaining	3.5	5.0	1.0	6.5	9.3	1.8	8.2	11.9	2.7	7.2	11.0	2.0
Repairing	3.9	6.0	–	7.1	10.6	1.4	6.3	9.7	1.3	6.7	7.9	1.3
Trading	–	–	–	10.3	6.9	15.7	10.8	7.6	15.5	11.2	7.9	15.7
Clerical work and office work	–	–	–	17.4	10.7	28.4	17.6	10.0	28.9	17.4	9.3	28.7
Planning and researching	–	–	–	4.5	5.6	2.5	5.0	6.3	3.1	4.8	6.0	3.1
Supervising	–	–	–	4.7	6.6	1.7	6.1	8.4	2.8	6.3	6.1	3.2
Checking and controlling	–	–	–	4.0	6.0	0.7	3.8	5.7	1.0	3.4	5.0	1.2
Trading and further education	–	–	–	9.6	5.6	15.9	11.9	7.1	18.9	14.1	7.9	22.6

Source: Own Calculations on: Statistisches Bundesamt, Mikrozensus, various years. The requested data are collected every fourth year only. However, the last census of 2000 could not be integrated for reasons of new systematics.

another conception: Here, other contours appear which embed the matter of analysis in a line of social and economic developments closely connected to principal questions of the establishment of contemporary societies.

One of the fundamental questions is, how the shift to services observed in the classification of occupations is perpetuated in the structure of organisations. Has the continuous rise of non-manufacturing employment been reflected in form of markets rather than in hierarchies, to use Williamson's (1975) binary code? Do large and largest companies buy these "tertiary" activities on the free market or do they produce this work inside their own firms through employment? Results of an investigation into the changes of the structure of (west) German enterprises over four decades clearly demonstrate two points (Bögenhold, 1996).

Firstly, the shift observed in the nature of occupations is also reflected in the composition of enterprises: The structure of enterprises includes the same shift towards an increase of organisations in the tertiary sector and, simultaneously, losses of enterprises in manufacturing. This tendency concerns the number of enterprises as well as the

number of people employed. Besides the changes between these economic blocks, we also find a tendency to a new composition within an average sized enterprise: A reduction of size can be observed in the sense that smaller units gain comparatively regarding their number and their employment potential. This is valid both for the category of enterprises in the secondary as well as in the tertiary sector. Opening the discussion on current labour process issues by having a look at the changes in the societal composition of occupations, instead of primarily asking for the management strategies of large companies, provides a more informed insight into the configuration of work and its transformations.

Much of our discussion on organisation and work in economic and social life has been based on an implicit and sometimes explicit understanding of a "one-type enterprise" or "one-type economy" which is an oversimplification and which contributes little to a modern and adequate understanding of the forms and variations of work in developed market economies. There are not only many different enterprises between the sectors of an economy, all with their own specific production processes of goods, but in the vertical

structures of small, medium and large enterprises too. Here, a variety of companies with a very high proportion of small and very small enterprises appears that have to be taken into account in the empirical and theoretical calculation (see documents by European Commission, internet source).

However, the enormous degree of continuity and stability in the number of companies and their size distribution masks the “underlying” shifts in the direction of a service economy. Bögenhold (2000) makes clear the way in which, over the same period, the number of firms in the manufacturing trades has practically halved, whereas conversely in the case of the professions and firms in the private service sector, it has increased enormously. So, turbulent exchanges in the population of firms by company “births” and “deaths” have to be taken into account in order to arrive at a more adequate understanding of the sector of small firms.

6. New companies and new occupations

The existence of new and – at least initially – small firms is nurtured above all else by the shift in the economy towards the service sector. This shift in the direction of a more tertiary economy must be regarded as a consequence of unremitting increases in productivity which have, among other things, brought about a lasting change in the composition of the working population. The trend towards services has a number of facets. First of all new occupations and job profiles are emerging; these are then in turn associated with the emergence of a multiplicity of new self-employed occupations and job profiles.

Inasmuch as work which is not directly done in productive parts of the economy, and especially in manufacturing, will further expand, it will become an important as well as a difficult task to encapsulate in appropriate words. This means that gainful employment in modern societies will be characterised less and less by direct physical “hard” work but more and more by desk work, which increasingly depends on the acquisition of an education (Shavit and Blossfeld, 1993; Shavit and Müller, 1999). This process of adjustment is likewise visible in the development and structure of self-employment – and even in very recent

times (Bögenhold and Leicht, 2000). In both absolute and relative terms, the self-employed figures surged most sharply in “business services” (+24%). Self-employment in “education, health services and culture” also grew markedly in absolute terms. Although the distributive sector “trade, restaurants and hotels” remained the one with the most self-employed persons, their quota fell slightly. As in the 1980s and early 1990s, professional, personal and social services (“business services” and “education, health and culture”) recorded the largest increase of all.

The significance of the growth in professional services for the future of self-employed activity is revealed by a glance at the trend in those occupations which belong primarily to the segments of “business services” and “education, health and culture”; these are classified in Germany under the label “*Freie Berufe*” (liberal professions). Here it is worth examining longer-term developments: following a tendency over the past century for vocational qualifications to become ever more academic, there is evidence in Germany of an upsurge in the number of self-employed professionals. Their numbers tripled between 1970 and 1996. Today one in every six self-employed persons belongs to the self-employed liberal professions.

The trend towards services has the following social and economic/structural consequences among others:

1. Since the self-employed quota in the service sector is higher than in any other branch of the economy apart from agriculture, a shift in the economy in the direction of an expanded service sector will inevitably lead to a rise in the amount of self-employed activity. A large part of this – currently dubbed “new self-employment” – is quite simply a structural consequence of tertiarisation.
2. Firms and companies in the service sector are staff-intensive rather than capital-intensive, but on average they are far smaller than manufacturing companies. From this point of view alone, a shift in occupational and company structures towards services results in a trend towards a reduction in average company size.
3. A combination of several other individual factors has an impact on the fabric of company

TABLE IV
Independent professionals 1970 bis 2001 (in 1.000) in Germany

Self-employed occupations	1970	1980	1987	1991	1996	2001
Medical Professions (e.g. doctors, druggists, physiotherapists, midwives, masseurs)	96	105	135	191	232	283
Legal and Economic Advisers (e.g. lawyers, tax consultants, management consultants, certified public accountants)	48	59	105	139	181	213
Technical & Natural Science Professions (e.g. architects, engineers, experts, chemists, air traffic controllers)	51	46	51	76	99	148
Pedagogical, Psychological and Translating Professions (e.g. writers and literaries, journalists, musicians, artists)	26	45	59	114	175	274
Altogether	255	297	389	550	754	918
Of it: female	42	60	64	153	250	303
male	213	237	282	397	504	634
Ratio of female independent Liberal professions/totally Self-Employed Professions	16.5	20.2	16.5	27.8	33.2	33.0

Source: Statistisches Bundesamt, own calculations.

- structures. As already mentioned, of course, one such factor is the strategy of large companies to outsource parts of their range of activities. The purpose of outsourcing is generally to maximise operational flexibility, a strategy which in turn ties in with transaction cost calculations. In actual fact, however, such strategies defy rational scrutiny to a certain extent; rather, they are based on subjective calculations by decision-makers whose actions are guided by their own logic (Jensen, 1998). New marketing strategies and sales rationales such as franchising are also worth noting here.
4. Finally, as new communication and information technologies become more widespread, there is an expansion in the range not only of new products but also new companies, and above all many small firms offering software and computer services (Castells, 1996–1998; Schiller, 1999). There is no knowing how many more new companies will be spawned by the internet and teleworking. Furthermore, the new information technologies lay the foundations for virtual companies, which are likely to play an increasingly important – but not necessarily unproblematic – role in view of the debate about globalisation.
 5. Demographic change, the leisure society and mounting individualisation are furthermore producing completely new social needs and requirements which create a basis for independent economic activity and new companies. Social services, care of the elderly and consultancy in various specialist fields will gain ground. There is a veritable commercial market in medical care and related appliances, which is only now coming under the spotlight (Light, 2000).
 6. Another important point and an undoubted result of increasing tertiarisation is the rising quota of self-employed women. The rate of female self-employment has soared, above all in the liberal professions and in private social services: whereas in 1970 not even one in five self-employed workers was female, the figure for 1996 was already one in three.

In addition to organisational and sectoral change, we are above all witnessing a drastic transformation in the conditions and composition of the labour market. A high or rising rate of unemployment drives more people into occupational independence; in other words, business start-ups function in part as an outlet for an over-stretched labour market. What is happening at present is paradoxical in that a succession of mega-mergers between economic giants has been announced in recent months and years, while at the same time small companies are visibly sprouting in the shadow of these emerging amalgamations and oligopolies. Small businesses and micro-firms in Germany have been growing vigorously for some years of which the case of a rising trend towards new forms of solo-self-employment is an interesting research area (Bögenhold et al., 2001).

7. Further conclusions

One of the major questions in recent times is at what rate is technology replacing the human work force. I have been arguing that we have to “look back” in order to find accurate statements about the “future of work”. The enormous advances in productivity which were addressed by Emil Lederer (1912) were not taken sufficiently enough into account in the main discussion. Lederer’s writing was preceded by the idea that the rise in economic productivity leads to the expansion of the tertiary sector.⁶

The same economic processes which are able to destroy industries and their employment are potentially able to create and to replace new life in the economy at another place by their inherent logic. The pendulum in academic discourse has shifted: For a long time, critical discourse was too much concerned with the process of economic rationalisation and the destruction of branches and production facilities, and more generally, by the substitution of human resources by machines. But on the other hand, the same economic processes which are able to destroy industries and their employment are potentially able to create and to replace new life in the economy at another place by their inherent logic. Here, the focus of attention seems to be more oriented nowadays. It was Schumpeter (1954) who problematised this complicated interlocking “up” and “down” of

economic development.⁷ As well as Marx, Joseph A. Schumpeter acknowledged the double-face of capitalism with its interplay of destruction and creativity, but, however, Schumpeter stressed the dynamic process of industrial change much more than Marx ever did, and he highlighted the principal open nature of the process:

The essential point to grasp is that in dealing with capitalism we are dealing with an evolutionary process. It may seem strange that anyone can fail to see so obvious a fact which moreover was long ago emphasised by Karl Marx. Yet that fragmentary analysis which yields the bulk of our propositions about the functioning of modern capitalism persistently neglects it. . . . Capitalism . . . is by nature a form or method of economic change and not only never is but never can be stationary. And this evolutionary character of the capitalist process is not merely due to the fact that economic life goes on in a social and natural environment which changes and by its change alters the data of economic action. . . . This process of Creative Destruction is the essential fact about capitalism. It is what capitalism consists in and what every capitalist concern has got to live in (Schumpeter, 1954, pp. 82/83).

Currently, the changes in economy and society seem to run even more rapidly as they did in earlier times. Therefore, it will become increasingly rare that people will stay in one occupation and organisation over the cycle of their whole working life.

To acknowledge the *ambiguous interplay* in the process of “creative destruction”, processes of new technological inventions will not only bear developments in the direction of job losses but they also contain new requirements, tasks and information necessities which provide chances for replacements (Acs and Audretsch, 1990a, b). At the societal “top” and “bottom” of the employment range, “winners” and “losers” appear as their result simultaneously (Sánchez-Runde, 2001). Increasingly but not exclusively, complex new technical developments are related to knowledge-based profiles of occupations which require special higher education. Although an important topic in itself, much of the recent discussion on the effects of de-skilling processes has ignored the general and overall trend to knowledge and expertise in society over a long period of time.

As the issue of knowledge is increasingly seen in combination with the topics of expertise and professions (see Abbott, 1988), it becomes

increasingly clear that our scientific knowledge about knowledge in society is less developed (Stehr, 1992, p. 108 f.). We have no commonsense understanding about the question of what the definition of knowledge really is. This presents further difficulties in addressing the term knowledge in opposition to social skills, formal school or university education, qualification and job experiences or expertise. What we almost know is that there are ongoing processes in the recomposition of the societal structure of occupations and their related knowledge, but this knowledge seems to be like a black box.

Looking at the system of employment, it is not always easy to separate, on the one hand, the irreversible secular trends and, on the other, the effects of enterprise strategies seen as a whole (Gual and Ricart, 2001; Ricart and Portales, 2001) because they can be interlocked and thus can no longer be separated into cause and effect.⁸ Enterprises have always tried to optimise their strategies in various ways, mostly by processes of trial and error and of bounded rationality (Jensen, 1998; Ricart and Portales, 2001)). Here a long-term trend can be observed how large enterprises have increasingly shown preference for a divisional type organisation above other types of organisation (Chandler, 1962; Dyas and Thanheiser, 1976). That is certainly principally due to an increased awareness of the control problems of the human factor. But especially since the 1970s, it appears that environmental factors have had to be taken much more into account than ever before.

Thus the framework of economic systems has fundamentally changed. The regional focus of the internationalised and globalised world economy (Bornschiefer and Chase-Dunn, 1985; Robertson, 1992; Waters, 1995) has shifted, new industries in expanding economies appear with greater frequency (Korea, Taiwan, Singapore, Malaysia). The demand for goods has also changed fundamentally, technological developments especially in the area of microelectronics has revolutionised production processes and working practices and a change in fluctuating economic trends influences the length of the validity of planning and investment decisions. Simultaneous processes of internationalisation, multinationalisation and globalisation are profoundly reconfiguring the spatial organisation

of the world economy. In the same process traditional conceptions of centre and periphery cannot retain the meaning they had before (Moshirian and Szegö, 2003).

It appears that in general terms the complex changes lead to new areas of uncertainty in decision-making, which created greater competition but at the same time they showed that taking chances and risks is at the heart of all business. The task of enterprise strategy is to overcome the increasing uncertainties, and to find appropriate solutions.⁹ There is much to indicate that large enterprises are tending to trim down in order to attain greater flexibility through internal decentralisation or expansion into new markets. Above all, and this was the conceptual proposal and thesis in the paper, we must not forget the extent to which the economy is intertwined with general changes in social and working structures. They too are rapidly developing in the direction of an economy increasingly based on the service sector.

Dynamics of service sector trends have to be studied in many aspects. Focussing on the speed of innovation in service sector industries is one research topic. Of course, the level of analysis which is concerned with strategies of individual firms is necessary as well. However, the main thesis of the paper is to acknowledge the social and occupational *embeddedness* of strategies by firms and other organisations in order to see the whole picture. An important question is if – and how far – social, occupational, and economic developments of modern societies differ. Divergencies and congruencies on international comparisons between countries may provide important answers regarding competitive advantages of individual nations (Porter, 1992). Achievements by institutional thought and socio-economics stressing national and cultural diversity may contribute to the research agenda. Following this mode of analysis of a labour market perspective provides a new perspective, since the emergence of new organisational forms in the course of economic development is thought of as a mirror effect of occupational changes and vice versa (see e.g. Epstein et al., 2003). Such labour market perspective on firms and human actors indicates the overlapping of different trends which, of course, leads to new questions. Hence, the “architecture of markets” (Fligstein, 2001) must neces-

sarily take into account these different analytical tools in order to map up structure, form, and action of organisations.

Notes

¹ The author is grateful for stimulating comments by two anonymous referees although not all suggestions could be integrated into a revision of a first draft but must be reserved partly for improvement on further pieces. The paper acknowledges also comments by participants of a workshop under the auspices of Maria Callejón and David Audretsch at the University of Barcelona, November 2001.

² The recent study by Baumol (2002) on growth patterns and entrepreneurship provides an excellent example of how discussion of recent phenomena should be historically framed.

³ See Bögenhold and Staber (1994, chapters II and III) for a theoretically and empirically broader informed discussion of decline and rise of self-employment on international comparison. Answers to the question for the internal and external logic of international convergencies and divergencies are of predominant interest for the discussion.

⁴ It must be remembered that already Marx in his later writings did indeed acknowledge the whole area of the so-called service industries. Mostly, in his later work which is the third volume of "Das Kapital" (1894), we find various expositions and references to, for example, modern shareholder companies, to productive and non-productive labour, to the question of the production of surplus value and to the medium of circulation and the merchant's capital. But because Marx wanted to show that most importantly, social conditions are a reflection of economic conditions, his references to the effects of the increase of production in the tertiary sector represent only a glimpse of the whole subject. Max Weber's work here is less of a dialogue with Marx' writings but more with the unyielding controversy with contemporary marxist thinking. He argued explicitly against ideas of standardisation and uniformity of the working class. For example in "Wirtschaft und Gesellschaft", he states in a number of places his awareness of the ongoing processes of differentiation in the so-called "Erwerbsklassen" (Weber, 1972), for an introduction of Max Weber's work to an English language audience see Collins, 1986; Kalberg, 1994; Collins, 1998; Swedberg, 2000).

⁵ In a translation, the title is "Private Sector Clerical Workers in Modern Economic Development". Daniel Bell, who paid great attention to Lederer and his work in his own study on the "postindustrial society" (1973), regarded him as inventor of the semantic term of the "new middle class" ("neuer Mittelstand"). This has doubtlessly to be regarded as incorrect since this term improves to be used several times before Lederer did (see e.g. Böttger, 1901). Lederer emigrated from Germany to the U.S.A. in 1933 and worked in the graduate faculty in the New School of Social Research in New York until his death in 1939. Although, mainly in his later years, he published in English too, he remained to a large extent unrecognised in the U.S.

⁶ The acknowledgement of the described trends implies the

recognition of the existence of quite different situations of work and their processes and appropriate requirements. The work of an unskilled worker in an automobile factory differs concerning qualification, work experience, salary and aspiration considerably from the work of a domestic servant or a teacher. The position of a salaried engineer seems to be in a contrast to a person belonging to the management elite of a large organisation, and an independent business owner is not necessarily the same as a freelance self-employed person. These multiple differences between work positions are especially important concerning the ongoing debates about the "future of work".

⁷ For a well informed introduction into the work of Schumpeter, see the book by Swedberg (1991).

⁸ This is one of the main topics of socio-economics and economic sociology. For interesting pieces see among others Nohria, Eccles (eds.), 1992 and Smelser, Swedberg (eds.), 1994).

⁹ It was Knight's argument about certainties and uncertainties in economy to proceed in spite of uncertainties (see Knight, 1921/1971, p. 268).

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