After the ownership society: Another world is possible

Jerry Davis
“Markets on Trial”
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The corporation as a defining social institution

Synecdoche
“The big enterprise is the true symbol of our social order…In the industrial enterprise the structure which actually underlies all our society can be seen…” (Drucker, 1950)

Surrogate
“Organizations are the key to society because large organizations have absorbed society. They have vacuumed up a good part of what we have always thought of as society, and made organizations, once a part of society, into a surrogate of society” (Perrow, 1991)

The largest US employers have shifted from manufacturing to retail and other services

10 Largest US Corporate Employers, 1960-2009

<table>
<thead>
<tr>
<th>Year</th>
<th>1960</th>
<th>1980</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>GM</td>
<td>AT&amp;T</td>
<td>WAL-MART</td>
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<tr>
<td>AT&amp;T</td>
<td>GM</td>
<td>TARGET</td>
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<td>FORD</td>
<td>FORD</td>
<td>UPS</td>
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<td>GE</td>
<td>GE</td>
<td>KROGER</td>
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<tr>
<td>US STEEL</td>
<td>SEARS</td>
<td>SEARS HLDGS</td>
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<tr>
<td>SEARS</td>
<td>IBM</td>
<td>“AT&amp;T”</td>
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<tr>
<td>A&amp;P</td>
<td>ITT</td>
<td>HOME DEPOT</td>
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<tr>
<td>EXXON</td>
<td>Kmart</td>
<td>WALGREEN</td>
<td></td>
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<tr>
<td>BETH. STEEL</td>
<td>MOBIL</td>
<td>VERIZON</td>
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<tr>
<td>ITT</td>
<td>GTE</td>
<td>SUPERVALU</td>
<td></td>
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Wal-Mart now employs roughly as many Americans as the 20 largest manufacturers combined

Agenda for this talk

• The corporate-centered society, 1930-2000
• The ownership society, 2001-2007
• The mess we’re in right now, and how economic sociology might help, 2008-?
The Dow Jones 30 Industrials in 1987

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>CEO(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allied Signal</td>
<td>Eastman Kodak</td>
<td>Navistar International</td>
</tr>
<tr>
<td>Alcoa</td>
<td>Exxon</td>
<td>Philip Morris</td>
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<tr>
<td>American Can</td>
<td>General Electric</td>
<td>Procter &amp; Gamble</td>
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<tr>
<td>American Express</td>
<td>General Motors</td>
<td>Sears Roebuck</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>Goodyear</td>
<td>Texaco</td>
</tr>
<tr>
<td>Bethlehem Steel</td>
<td>IBM</td>
<td>Union Carbide</td>
</tr>
<tr>
<td>Boeing</td>
<td>International Paper</td>
<td>United Technologies</td>
</tr>
<tr>
<td>Chevron</td>
<td>McDonald's</td>
<td>US Steel</td>
</tr>
<tr>
<td>Coca Cola</td>
<td>Merck</td>
<td>Westinghouse Electric</td>
</tr>
<tr>
<td>Du Pont</td>
<td>3M</td>
<td>Woolworth</td>
</tr>
</tbody>
</table>

Blue = in index in 1930

= gone by 2009

Recent exits include AIG, Citigroup, and GM (all now wards of the state)

The re-configurable supply chain is the new black

A company of 6 people can grow to $2 billion in sales by assembling the right supply and distribution network

Long-term attachments to employees can be costly...

“Our legacy costs in pensions and health care are an area of significant competitive disadvantage for us… We’re now subject to global competition. We’re running against people who do not have these costs, because they are funded by the government.”

Rick Wagoner, CEO of GM, Feb. 2006
...so most employers have abandoned traditional company pensions in favor of relatively portable 401(k) plans

Since the first of this year, U.S. market and economic conditions have become significantly more difficult. These conditions, along with the rapid change in automotive industry sales mix, require us to take further actions that will position GM for sustainable profitability and growth. As a result, GM is announcing a change to the General Motors Salaried Health Care Program.

Effective January 1, 2009, GM is canceling health care coverage for salaried retirees and their dependents age 65 or older. Instead, eligible salaried retirees and surviving spouses over age 65 will receive a monthly pension increase of $300. This pension increase is designed to help offset some of your health care costs in retirement.

The large corporation is no longer the predominant source of social welfare in the US
After corporate feudalism: the “ownership society”

“In America’s ideal of freedom, citizens find the dignity and security of economic independence, instead of laboring on the edge of subsistence. This is the broader definition of liberty that motivated the Homestead Act, the Social Security Act, and the G.I. Bill of Rights. And now we will extend this vision by reforming great institutions to serve the needs of our time. To give every American a stake in the promise and future of our country, we will bring the highest standards to our schools, and build an ownership society. We will widen the ownership of homes and businesses, retirement savings and health insurance - preparing our people for the challenges of life in a free society. By making every citizen an agent of his or her own destiny, we will give our fellow Americans greater freedom from want and fear, and make our society more prosperous and just and equal.”

George W. Bush second inaugural address, January 2005

A super-subtle agenda behind the ownership society?

Expanding home ownership

“The President believes that homeownership is the cornerstone of America’s vibrant communities and benefits individual families by building stability and long-term financial security. In June 2002, President Bush issued America’s Homeownership Challenge to the real estate and mortgage finance industries to encourage them to join the effort to close the gap that exists between the homeownership rates of minorities and non-minorities. The President also announced the goal of increasing the number of minority homeowners by at least 5.5 million families before the end of the decade.”

Ownership Society Fact Sheet

The mortgage finance industry responds

- “The company put ‘bounties’ on minority borrowers. By this I mean that loan officers received cash incentives to aggressively market subprime loans in minority communities.”
  Former Baltimore-based Wells Fargo loan officer

- “Wells Fargo mortgage had an emerging-markets unit that specifically targeted black churches, because it figured church leaders had a lot of influence and could convince congregants to take out subprime loans.”
  Another Wells Fargo loan officer
America's Homeownership Challenge indeed…

Foreclosed properties in Detroit today could fit the entire city of Boston

What next: how to turn the ruins left by the corporate-centered society into a livable home

Looking backwards and forwards

• “The organizational inventions that can be made at a particular time in history depend on the social technology available at that time. Organizations which have purposes that can be efficiently reached with the socially possible organizational forms tend to be founded during the period in which they become possible”
  
  Art Stinchcombe, 1965

• The turn of the 20th century: the integrated corporation (e.g., General Motors)

• The turn of the 21st century: the iPhone “workplace democracy app” that turns GM into a kibbutz

Everything we’ve learned from organization theory since 1977

• Network theory
  – Who you know matters (Granovetter, 1985)
  – Who you’re seen with matters (Podolny, 1993)
  – Knowing people who don’t know each other can be useful (Burt, 1992)
  – More networks are good up to a point; then they are bad (Uzzi, 1997)

• Institutional theory
  – We often imitate our friends or do what we’re told (DiMaggio and Powell, 1983)
  – Sometimes we fake it (Meyer and Rowan, 1977)
  – Innovation usually involves cutting and pasting (Stark, 1997)
The mashup approach to enterprise

- “The building blocks for organizations come to be littered around the societal landscape; it takes only a little entrepreneurial energy to assemble them into a structure” (Meyer and Rowan)
- What’s different now: the tools for “organizing without organizations” are readily available

15 February 2003: “The World Says No to War”

Up to 10 million citizens on every continent (including Antarctica) marched in protest on the same day against the imminent US invasion of Iraq

How to fix Detroit: turn vacant land…

…into urban farms
Turn abandoned corporate headquarters…

…into grain silos

Turn hostile suburban neighbors…

…into hilarious town hall protesters
The Museum of Organizational Natural History