1. Introduction

'Le caractère ne suffit plus!' admonished a headline in a business magazine in France some two decades ago. The manager of modern capitalism must add competence to character. Training must be added to innate capacity. The 'natural leader' must rethink his tactics.

By a roundabout route the context and implications of such exhortations provided the stimulus for this book. The book is a contribution to the understanding of a part of that fascinating but slippery subject, social change and continuity in contemporary Europe. It focuses on the business world of Europe, on families, individuals and companies and the interactions between them which lie behind access to top positions in major corporations in the mid to late twentieth century. The context and starting point of the study lie in the major structural alterations which took place in the economic organisations of Europe in the decades after the Second World War. Of especial concern is the internationalisation of economic activity and the rapid growth of giant enterprises often operating across the whole European continent. In contrast to this broad background, the focus of the book is on the operation of some of the micro-mechanisms ensuring European social structural continuities as they relate to recruitment to the senior levels of the business world.

The book describes tactics and procedures developed by members of the business bourgeoisie in twelve countries in Europe as part of 'individualistic exclusion strategies' (Parkin, 1974) for use in the competition for access to coveted positions in the growing European international economy.

Successful exclusion strategies, as Parkin (1974) says, are based on the judicious manipulation of a number of attributes. In the case of the European business bourgeoisie, these attributes include attitudes and values instilled and nurtured within families, possession of credentials gained from valued educational institutions and the willingness to take the risks in the economic arena which lead to the greatest rewards, a willingness supported by the safety net of considerable social and economic capital whose value is in turn enhanced by marriage alliances.

Concentrating on the functioning of the family, in combination with the education system of each country, and on decisions made in the managerial labour market, the book documents the mechanisms which largely ensure that many if not all bourgeois sons continue to enjoy a social and economic position similar to that of their parents. For some sons at least, little of significance has changed. Maintaining that position, however, is not always easy in the new conditions of production which formally separate family position from occupation, for even bourgeois sons must increasingly compete in a market. They must supplement their initial advantages with new weapons in the struggle for advancement, following advice to add 'competence' to 'character'. This book investigates one way in which they increase their chances in the developing European élite labour market.

Taking as a crucible the Institut Européen d'Administration des Affaires (INSEAD), the international business school at Fontainebleau, the book focuses on the experience and decisions of its alumni. The background and the careers of these young men as they move in the expanding sectors of the European economy are taken as a microcosm representing much more general processes of change and conservation in the business fractions of Europe's national bourgeoisies as component groups vie for position in a changing world. The argument is that, despite organisational changes and the formal separation of ownership and control, recruitment to senior positions in European enterprises continues to be a 'family business'. Many of the contenders are from family-owned businesses. But that is not all. Family and marriage continue to play crucial roles, for family capital of many kinds contributes to career success and is in turn reinforced by assets acquired through marriage. Equally important, beliefs developed in families of origin are refined as well as 'modernised' by select educational institutions which create among their students a 'family' of beliefs and orientations. These beliefs concern both the proper management of the economy and the correct ordering of society, present and future. The book emphasises the operation of both aspects of this international 'family business'.

The perspective in the book is on intra- rather than inter-class competition. Even within that perspective, the book suggests the narrow range of the groups competing and the extent to which in most Western European countries the business fraction of the bourgeoisie has managed to keep itself separate from or to dominate other fractions, long ensuring 'business' inheritance of business and linking its members to the liberal professions or to the public sector only in an occasional manner. Economic and other changes in recent years have, however, meant a change in some elements of social practice. In particular, business families have had to modify their methods of economic control and to develop exclusion strategies which maximise accumulation of cultural and social capital as well as the economic capital they traditionally relied on most. The changes in the economy, suggested below in chapter 2, have forced some to reconsider their options. They have had to find new resources for their sons to use in the competition for top positions in the expanding areas of the economy, notably those opened up by the growth of Europe-wide markets and in the companies operating in them, especially in the sectors of banking and finance and new manufactured products such as pharmaceuticals and electronics. High-level business education is one such resource: it limits the competition by redrawing the boundaries of the eligible to compete and, by its well-tailored fit to a niche in the market, highlights to employers the advantages of the qualified.

The 'micro' data presented in the book are the necessary complement to theories and descriptions of macro-level changes in recent European societies. They point to the functioning of the micro-mechanisms operating inside families, inside educational institutions and inside economic organisations and the interactions between these as factors important in the macro results. They constitute an empirical base which can be developed to form a link between the framework of large-scale changes and continuities and the structure of changes open to individuals of achieving or conserving their particular positions and life chances in the societies concerned.

The data used as the basis for the analysis in the book were gathered during two studies over the period 1973 to 1980. Each study used archival research, questionnaires and interviews. The study as a whole covered 2,110 students and alumni of INSEAD. The backgrounds of all 2,110 were gleaned from archival data. Questionnaires covered the careers of 200 French alumni in the first study and 304 of other nationalities in the second. In 1975, 134 French wives replied to questionnaires as did 169 wives of other nationalities in 1980. In 1973–4, sixty French students and twenty of their wives were interviewed. In 1980, 120 alumni of twelve nationalities, working and living in eight of Europe's major cities, were also interviewed, as were 'head-hunting' consultants in London, Brussels, Boston and New York. In the body of the book, the different chapters draw on and bring together data gathered from the diverse parts of the study and the text makes clear which sources of information are being used. Full details of the samples and coverage are given in Appendix A.

The intellectual context

As was said at the beginning, this book is a contribution to that fascinating but slippery subject, social change and continuity in contemporary Europe. The questions which the book addresses derive from long-standing debates among social analysts about the nature and mechanisms of social change in industrial societies. Following a nineteenth-century tradition, some more recent descriptions of modern societies have tried to seize their essential qualities through classification by genre – post-industrial, service, even self-service, or, from a different theoretical stance, 'late', monopoly or financial capitalist. These point the observer's attention towards a particular set of institutions and specific configurations of social arrangements. Such classifications are often said to be of limited use. They tend, for example, to have taxonomic rather than analytical value, although the description of Western European economies as now dominated by financial rather than industrial capitalism would seem apt overall. A second difficulty with such classifications is that they are immediately challenged by new empirical data or descriptions developed by competing theorists which suggest that much remains unaltered (Kumar, 1978).

Some classifications do, however, have their uses as starting points for analysis and one such encapsulates part, at least, of the reality which is relevant here. From the 1930s to the 1970s, in both North America and Europe, there raged a debate about the degree to which key changes in the organisation of the productive base of Western societies had ushered in an era of 'managerial' rather than individual 'bourgeois' capitalism. Initiated by Berle and Means (1932) and developed notably by Burnham (1941) and subsequent writers such as Bell (1961 and 1976) and Galbraith (1971), the managerialist thesis suggested that the organisation of the productive system of modern industrial Western nations and the societies of which it was the base had changed fundamentally with the growth of joint-stock companies, separating ownership from control, and the concomitant rise of the professional manager. In this phase of the system, the apparent controllers of productive organisations, the managers, were thought to be linked only indirectly to capital through employment in a senior executive position in a company owned by a large number of relatively small shareholders or by other corporate investors. In contrast to the situation in earlier phases of European industrial capitalism, in this phase of the system ownership and enterprise had thus been formally separated. Given their indirect link to ownership, these managers, it was argued, would be less concerned with the rights of capital and more with understanding the complexities of running an organisation which included employed 'staff' as an essential component, staff whose rights and status were not simply those of 'hired labour' in the traditional sense. Hence, it was also thought, these 'managerial capitalists' would be more concerned with the long-term performance and endurance of the enterprise they served than with short-term profits, and, indeed, that they might put social responsibility before the making of profits at all. The change in beliefs was felt to be as important as the change in structures.

During the 1970s, interest in issues of corporate management and control was renewed and important empirical studies were carried out in both Europe and North America. Theories were refined and tested with the new data and the data themselves were used to widen the debate to include broader discussion of the determinants and modalities of class formation and transformation in advanced capitalist societies.

This first interpretation of the implication of the changes from family to corporate capitalism was rapidly challenged. First, the data gathered showed conclusively that in their professional lives 'managers' behave in the same way as 'owners' (see, for example, James and Soref, 1981). Data gathered by Pahl and Winkler (1974) indeed found that senior managers were more, not less, profit-oriented than their bosses and they constitute, in Scott's phrase, the 'service' or 'lieutenant' class of capitalism. Moreover, as Useem was able to conclude on the basis of a survey of studies conducted in Britain and the USA, the business community as a whole, including senior managers, was as centrally concerned with profit growth as ever. Managers, moreover, lack public power: when leading corporate controllers enter politics, they do so on behalf of entrepreneurial not managerial interests (Useem, 1984: 27).

Secondly, much evidence now suggests that the whole debate about the separation of ownership and control was misdirected since, for example, top executives and other directors, many of whom hold or have held senior management positions in other companies, hold considerable wealth in shares in the companies they direct – as well as in others. A study by Lewellen of *The Ownership Income of Management* published in 1971 showed that in the USA in the 1960s the senior executives of the country's largest industrial corporations each owned an average of between \$1 million and \$2 million worth of their respective companies' stock. In terms of market values, these figures represent a threefold to fourfold *increase* in executive ownership since the early 1940s and this degree of ownership surpasses that of the executives of smaller firms, despite the theory that it is in large companies that ownership and control are most distinct (Lewellen, 1971: 11). Moreover, the declared annual income of such executives was three to five times greater than the fixed dollar rewards of salary, cash bonuses, pensions and other items: the difference was income derived from share ownership. Lewellen notes that 'post-tax gains and losses . . . from the mid-1950s on, have expanded to anywhere from \$100,000 to \$750,000 each year for the typical executive (of the biggest firms). The feeling here is that changes in wealth on that scale should at least begin to sensitise even the most callous professional manager to the shareholder viewpoint' (1971: 85 and 87). By December 1974, according to a study by Herman conducted with the support of the Twentieth Century Fund, the median value of company shares held by officer/directors of the 100 largest American manufacturing companies was \$920,000 and this in a period of depressed stock prices (Herman, 1981: 93). In a study of the British business élite in the late 1970s, Fidler also showed the considerable wealth of major corporate directors (1981: 105–8).

It seems, therefore, that those who control also own – and probably vice versa, as Lewellen concludes. Moreover, different forms of corporate control have been identified. Analyses of issues concerning the areas of control by managers as well as of the dynamics of struggle for control within boards themselves, between executive and non-executive directors, have further refined the debate (see for example Pahl and Winkler, 1974 and Herman, 1981). Herman, for example, makes the distinction between literal control and power to constrain (1981: 19) and analyses the differences which occur according to whether there is control through a minority or a majority shareholding.

This new evidence is important for the book because it stresses the similarity of the position of the top executives and directors of joint-stock companies with that of their colleagues, who are more usually considered the business bourgeoisie. At the very top, it seems, ownership and control re-merge, a merger seen in the extent of capital ownership as well as in attitudes, values and policies. The merger is also important because in their choice of successors such owner-controllers will seek people like themselves, judged by the same criteria of profit performance, holding the same tried and trusted outlook, the same commitment to the capitalist ethic. They will seek successors complementary to them in skills, trained in the new techniques of management and with entrepreneurial flair but also adept at the increasingly central task of conducting successful inter-corporate relations and scanning the politico-economic environment. Bourgeois sons with a strong business credential and a wide network of contacts must be strong candidates for the succession.

This re-merger is important, too, for another reason. Over the last few decades, many business-owning families have diversified their wealth holdings so as to make them more secure and have developed portfolios in many other companies (Scott, 1979 and 1982). In some cases they have kept control over the enterprises which were the original source of their wealth – thus, in France, for example, almost half of the 200 biggest firms are still controlled by particular families, whether as majority or minority share-holders (Morin, 1974) – but in others they have sold out and invested capital elsewhere by buying shares. This has meant that many propertied families have become dependent on the decisions of others in the management of their assets. It is in their interests that people like themselves make the crucial decisions. Hence, on the one hand, they have an interest in ensuring that their sons reach those decision-making positions while, on the other, it is in the sons' interest to do so since their patrimony is ultimately at stake.

The result is that both directly through their holdings and indirectly through their sons, and later through their sons' holdings, 'entrepreneurial capitalists' continue to be important in the management of existing corporations and the creation of new ones. To these established entrepreneurial capitalists have been added new families, those of the corporate rich, the 'internal' capitalists, and those with a finance base (Scott, 1982), the financial capitalists first identified by Hilferding (1910). European capitalism thus continues to contain a strong family element and this needs to be remembered in the chapters which follow. The change from family to organisational accumulation is by no means complete.

Within the framework of the same debate about ownership and control, the boundaries of inquiry have been extended to examine the consequences of recent forms of corporate organisation for class formation, reproduction and interaction. First, as the empirical data available on national directors have expanded, so too have the geographical area and the time spectrum covered by the analysis. In particular, Scott (1982) uses directorship and other data to demonstrate the gradual emergence since the turn of the century of an integrated 'business class' in Britain, a process largely completed, he suggests, by the 1950s. This new class has been formed through the gradual building of interlinkages, corporate and familial, between the three previously separate fields of finance, manufacturing and landed wealth. The new 'business class' is both propertied and privileged. Its privileges and its position are both ensured and constrained by the changing conditions of productive organisation. Arising from the new conditions of the monopoly sector and the increased concentration of production, a powerful core of 25,000–50,000 families has emerged, Scott suggests, linked together by education, cultural and economic pursuits and lifestyle. Strategic decisions made by this core, who control the top 1,000 enterprises, determine the conditions for the whole business class who, in turn, determine the conditions of the 'massive social tail' of managers and other professional and technical groups attached to the class through their own position in the productive and political systems.

This newly integrated business class, however, is segmented. The lines of segmentation follow divisions between large and small companies, between sector and sector and by degree of centrality. At the centre, as Useem shows us in Britain and America, are the members of the 'inner circle', described as the 'core' by Scott and the 'inner group' by Zeitlin. These men – and they are mostly men – are particularly charged with two major functions. The first is developing networks of communication between companies, using their positions as outside directors to improve their scanning of business conditions and environments. Their second task is perhaps even more important. This task is the formulation and carriage of the input of business to the political processes and to public policies favourable to corporate enterprise. As the interventionist policies of government have impinged further on business decision-making, whether through regulation or stimulus, so the need for coherent advice from business has come to occupy a greater proportion of management and directorial time. As Useem says, the scale of large companies makes their effective management dependent on continuous monitoring of new developments in government policies, labour relations, international tensions, markets of many kinds, technology and business practices, ranging from stock options to charitable contributions. One of the most important means of keeping abreast of events for senior managers is personal contacts and direct presence (Useem, 1984: 45). These practices, too, lead the analyst back to the examination of kinship, education and informal networks.

Second, investigations have been made into the extent and the functions of formal networks, created through interlocking directorates among major corporations. Studies in most European countries have found quite extensive networks of interlocks between directorates within each national economy. Sophisticated studies such as those reported in Stokman, Ziegler and Scott (1985) using formal network analysis techniques have shown up major groupings of interlocked firms. The precise 'constellations of interest' represented vary from country to country. In some, such as Germany, some banks are central, locking together the direction of financial investments and industrial decision-making. In some, such as France, regional economies rather than national sectors are linked together through corporate interlocks. In Belgium, the holding-company links important industrial and financial groups, some family and some institutionally controlled. Some countries, notably those with the 'Latin' board system, have a high proportion of multiple directors and a high accumulation of positions by industrial directors. Those with a 'German' board system have somewhat fewer.

Most important for this book, moreover, is that the same studies have found an increasingly important *international* network of intercorporate linkages, notably between banks and the major industrial companies across Europe (with American participation in the networks, later joined by the Japanese, as Fennema, 1982, shows) and between national companies and their subsidiaries in other countries. The number of international links, their density and multiplicity, increased over the decade of the 1970s as the international activity of European corporations developed new markets and made new investments, a trend discussed further in chapter 2 below. In Europe, the nations with the greatest rise in the number of international corporate links were France, Switzerland and Germany. As Fennema points out, by 1976 the international corporate élite constituted by the 'big linkers', the persons carrying these important new links, played an important role in cementing national networks into an international whole (1982: 209). Their role, like that of their national counterparts (Fidler, 1981; Useem, 1984) is that of inter-corporate communication, developing policies to deal with common problems and encouraging governments to react favourably to their suggestions. The difference from their national peers is that, like their companies, their operations transcend frontiers and cross the whole of Europe. 'Who' these big linkers are has as yet hardly been investigated at all. This book, while not analysing the current international corporate élite, sheds some light on the processes leading to their emergence. Moreover, many of our respondents work in the companies at the centre of the networks. As true internationals in outlook and experience, they may well be the big linkers of the next generation.

The debate developing within the framework of issues related to the extent and significance of changes in the ownership and control of the major corporations of modern capitalism has thus led on to a consideration of class integration and the political and ideological representation of corporate interests. This integration has been long neglected by analysis and, at international rather than national level, is one of the themes of this book. International integration through people and through common ideas is seen here as going hand in hand with international corporate activities.

A second and major set of changes and continuities also forms the background to the analysis presented in this book. In Europe, from the early 1960s, much attention, both participant and academic, came to focus on the 'modernisation' of European societies seen in the rapidly changing economic structures of many European economies over the period of post-war reconstruction and in modifications to the productive system perceived as linked to the influence of American enterprise expansion and the associated export to Europe of American management methods and corporate structures.

These imported structures and methods were seen by both some observers and some actors, such as politicians, as typical of 'modern' societies and economies, and were welcomed as 'progress', as a step in the 'modernisation' of the 'antiquated' structures and business practices of *patronat* Europe (Servan-Schreiber, 1969). Many even thought, as a variation of the managerialist thesis, that the growth of 'soft' management techniques would herald a reduction in the repressive nature of the internal workings of the enterprise. The *patronat* would be replaced with a more sympathetic system of productive control, technocratically oriented to the proper management of both state and economy.

This second set of beliefs and debates generated a whole literature analysing contemporary movements and exhorting action for the future. The language and concepts used by the 'modernisers' were incorporated into the vocabulary of political parties of many hues and in many countries and became an integral part of the discourse of politicians, public servants and company managers, to an extent which inspired the publication in France in the 1970s by Bourdieu and his colleagues of an 'Encyclopédie de la Technocratie' (1976) which mapped the rhetoric and values of what was seen by many as a whole new economy and society.

Whatever the particular views about the extent, the desirability and the more general consequences of the alterations by the 1960s, it seemed clear to all that much in both economies and societies had indeed changed in significant ways. Individual company size did indeed grow fast, as did the total number of large and giant firms. The internationalisation of productive activity in Europe also grew apace. Corporate structures were redesigned. The ranks of senior managers expanded fast and they acquired new skills in marketing, finance and corporate strategy. Other changes were seen in the rapid introduction of new technology, in the growth of mass markets for consumption products and in rising standards of living and leisure for European populations everywhere.

Other aspects of society also looked different. Mass secondary education had become compulsory and in most European countries the numbers of young people enrolled in tertiary education increased fast. New disciplines, especially in the social sciences, developed and expanded. New professional ideals, credentialled through courses bearing the stamp of higher education, were nailed to the masthead of many organisations and crept into the long-reticent world of business. From these changes grew theses about 'post-industrial' societies with financial capitalism and the service sector as their base.

The social backlash caused by the changes, erupting most dramatically in the street events and violence of May 1968 in France, the economic and political troubles which persisted in many countries and the disaffection of many young people raised in an age of affluence, while they demonstrated that the path forward was not a smooth one did not seriously shake a public sense that change was the order of the day and that the 'modernisation' of the economy and societies of Europe would suffer only temporary setbacks. The near-fatal shock which that view was to receive only came with the oil crisis, which began in 1974.

In the face of change and reaction to it, however, from the late 1960s many European observers began to look more closely at what had and what had not altered in their societies. They saw that while most Europeans were financially better off, not only did poverty still remain in evidence but the structure of societies had changed little. The late 1960s and early 1970s were the heyday among sociologists of a reaction to theses about post-industrial society and of a return amongst both Marxists and Weberians to an interpretation of Western European societies which suggested that while late-twentieth-century capitalism had altered its form it had not changed its nature. Many social institutions previously seen as essentially progressive, as leading towards increases in some form of social equity, were suddenly reinterpreted and emphasis was placed instead on the central role these institutions played in the reproduction over time of the social and economic order of late capitalism. From this perspective, far from acting as an instrument of social change, education in particular came to be seen both in Europe and in America as the prime mechanism of social reproduction (Althusser, 1970; Baudelot and Establet, 1971; Bourdieu, 1970; Bourdieu, 1971; Bowles and Gintis, 1976). Social conservation rather than change came to dominate much academic debate.

Within this discussion, the most influential analysts of the period, whether Marxist or Weberian, emphasised macro-level changes and continuities in economy and society and examined the role of major institutional systems in social reproduction. Some, such as Althusser (1969) and Poulantzas (1974), saw social structures as incapable of explanation through empirical analysis (although Poulantzas did resort to the use of census data for his discussion of the 'middle classes' in France). Even within the Weberian tradition, major