

## Business Enterprise: The Engine of Growth

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The commonly used definition of a community is a group of people who live close to each other in a particular geographical area. However, the term 'community' is used in a variety of ways, from describing a group of people with a common ethnicity, religion, or occupation, to the whole of a society. The definition followed in this article is that a community is any collection of people that have some form of relationship with one another, be it because they live in the same locality, compete for resources, or come together because they share a common interest or have complementary interests. Under this definition it is possible to see that every community will be part of another larger community, or that it will at least share members with other communities, as people have a variety of needs and interests that will bring various groups together at different points in time. The only scenario whereby people belong to only one community would be when those individuals isolate themselves from the rest of the population by living in a totally self-sufficient community such as a commune.

This article sets out to initially examine one community in the city of Palmerston North, New Zealand, at the core of which is a profit driven business enterprise. Relationships within the community exist between employees and management of the core business, between the core and suppliers, clients, financial institutions, and regulatory bodies. In addition, this article goes beyond examining these relationships and investigates how this community relates to the prosperity of the Palmerston North region and people living there.

Community psychology is a field of study that examines the nature of human relationships in communities, with the belief that the ecological setting impacts upon the constitution of these relationships and the health of the individuals in that community (Rappaport, 1977, cited in Levine and Perkins, 1997). Interestingly, the Cambodian word for 'health' literally translates into 'safe and happy' (School of Health Sciences, 2002). The Cambodian culture accepts the importance of the relationship between ecological setting and well-being, which is a belief also

shared by the indigenous Maori people of New Zealand. Community psychology purports that the more important aspects of human ecological settings are the communities to which people belong, the structure of those communities and distribution of power, and the nature of relationships in those communities (e.g., are communications in equilibrium, or are they lop-sided?). Therefore, the study of human ecology can be seen as the study of human communities, because it is the structure of the communities that has the greatest influence over people.

The structure of New Zealand society is similar to that of other Western cultures, in that it is a liberal democracy. Ideals such as freedom and creativity are highly valued, yet the society has a pervasive bureaucratic infrastructure that binds all the various sub-groups together to form the grand-scale community most commonly referred to as 'the public' or 'society'. The overarching bureaucracy is central government and its agencies (such as the police, justice, welfare, health, and education departments). At a regional level, the communities within a particular geographical region are regulated by local government organisations, which in New Zealand are the District and City Councils. This structure of society tends to facilitate power being concentrated in the hands of an elite few at the top of the bureaucracy, although this collection of people should be representative of society because they are freely elected. These people are 'the powers that be' and they determine how resources will be collected from community members and then redistributed to provide various services and facilities.

The purpose of this article then, is to show how one small sub-community is inextricably related to the wider geographical community in which it operates, with the author proposing that this interrelationship exists between most communities and the wider region in which they are found. The community to be examined in this article centres around a profit driven organisation that operates in Palmerston North. The reason that this community was chosen for study was, firstly, that I have worked there both part-time and full-time since late 1999, and secondly,

a steady increase in responsibility over this time has led to experience in all company relationships, including those with the Palmerston North City Council (PNCC). My understanding of this community and its relationship with the wider Palmerston North community has also grown over this period. This community was also deemed suitable for study because it is driven by economic goals, which is one of the main reasons for the existence of towns and cities - to bring people close together to enable profitable exchange of labour for goods and services.

The method for analysing and describing the community follows the conceptual framework as laid out in Gregory (1999). The process begins with defining the role of the observer: (1) to observe the relationships within the community, and (2) to observe the connections between the community and the rest of Palmerston North - in particular relationships to political, economic and social systems. As noted above, most people interact in a variety of communities, so a clear definition of the community to be studied must be specified in order to limit confusion. The next paragraph provides a brief outline of the people in the core of the community and how they are grouped, with some demographic information, and importantly the services that are provided. Following on from this some of the values, communication patterns, formal and informal social structures, and organisational dynamics are discussed. This provides an insight into the strengths and weaknesses inherent in this community. The discussion will illustrate that the core of this community lacks cohesion due to insufficient quality communication, which threatens the integrity and future of this business in the changing economic environment. Once this information had been gathered, the next stage was to delineate how this related to the core of the community in the wider Palmerston North region.

The core of the community of interest to this study is a medium sized firm that contracts predominantly to industry in the Manawatu, but also undertakes projects nationally and, more recently, in the Asia-Pacific region (including Australia, China, Taiwan, Indonesia, and the Philippines). This small business provides a variety of technical services. Originally, the business was established to provide installation and maintenance services to the large dairy industry in the Manawatu, which is still a large

part of the business. During the 1980s and early 1990s there were many large projects undertaken by the industrial and commercial sectors, mainly to expand existing sites to increase production. This period also saw an increasing reliance on computers and information technology to control industrial processes, which created a new market opportunity for the business. Developments in technology have seen the business diversify just recently, allowing repairs to and development of intricate machines to be completed in-house, rather than sending machinery to other businesses in the major centres.

The same two people who founded the business over 20 years ago still own it, and they have an equal share. A third partner bought into the business, but was subsequently bought out recently and left, due to differences of interest. The owners work full time, one as Executive and the other as head of Operations. The executive is aging and wants to retire, while the head of operations is younger. One other manager (without shares in business) is responsible for the contracts, and is also enthusiastic for scouting new customers and marketing the business (he is younger). This employee is a technical manager, and provides process control training for people employed in the secondary economic sector, working in conjunction with a nationwide training company also based in Palmerston North. Also in company administration is a recent University Graduate who oversees technology, although he was employed to learn process control. The only female employees do the paper work and accounts. There are 18 full-time employees who perform the services provided (all male and with a wide age range). In addition, two first-year apprentices just started their first year within the last three months (one male and one female, both quite young), but their contracts are with the Training Company.

Several other people and businesses form the periphery of this community, with all of these spanning the open boundary so that only certain individuals in each group interact with the core. Firstly, clients are the sole reason for the people in the core coming together to form a business. Secondly, the suppliers of technology, goods, tools, and services offer their wares to the company. As might be expected, a large sphere of influence from regulatory agencies such as the Inland Revenue Department, Occupational Safety and Health, Customs Department, ISO

Accreditation Authority, and the a technical Board in NZ, monitor and regulate. The core must always comply with their dictates. Both clients and the core business also have to transact with a debt factoring company (in Auckland) that facilitates the flow of money from clients to the business. When examining the boundary of this community we cannot forget the family members of those in the core of the community. Although they do not usually participate directly, they influence those in the core, and will in turn themselves be affected by many decisions made by those with power. All the people involved in this community have come together primarily for economic reasons. The owners saw an opportunity to make money by starting this business, staff choose to work because they want an income (and, hopefully, job satisfaction), suppliers form relationships because they want to sell their goods and services, and clients need their plants running as efficiently as possible to save money over time.

This organisational community is an 'open-technical' type, based upon Kilmann's typology (1983, cited in Orford, 1992). The technological environment is developing rapidly, so the organisation is concerned with where staff are coming from, what competitors are doing, and how well its products and services are being received in the marketplace. Therefore, organisational (formal) values are likely to be "Adaptability, resource acquisition, marketing" (Kilmann, 1983, cited in Orford, 1992, p. 180). Other formal values include aiming to be the best, providing accountability to external parties for all interactions, professionalism, and profitability. It is true that those at the top of the hierarchy of the core are concerned with external influences, and unfortunately this tends to come at the expense of the concerns with those lower down the hierarchy. This leaves many staff feeling undervalued and can promote feelings of discontent. Consequently, four staff members have left and then returned several months later over the last decade (one employee has left three times). When asked, the consensus was that they left because of conflicts with the decision makers, mainly to do with wage rates and hours of work. However, they then found that the jobs they took up elsewhere could not provide them with the same challenges and rewards, because the clients they worked with in this community were not in the new communities they entered. This

is best explained by the value that many New Zealanders of European descent hold, that they want a job that gives feelings of accomplishment (Webster, 2001). The decision makers know that their business has the advantage of providing work experiences that increase on the job learning and development of problem solving skills, and are willing to risk staff dissatisfaction because the staff are likely to remain. However, not all the staff remain loyal to the core values, which is threatening the stability of the core of this community.

The ecological viewpoint requires that a community psychologist be concerned with the relationships individual's have with each other and with their environments (Rappaport, 1977, cited in Levine and Perkins, 1997). The community formed by these relationships is "...a differentiated social grouping with elaborate systems of formal and informal relationships" (Mann, 1978, p. x, quoted in Levine and Perkins, 1997, p. 4). To ensure that the relationships within the community were correctly understood, informal interviews were conducted with a variety of people in the core and periphery of the community. This gave a clear understanding of which parties have more influence, who contributes to decision-making, and therefore where power is held. The people in this business community have different relationships, different short- and long-term objectives when participating, and different views of what is going on and if it is favourable. Everyone has different needs that they want fulfilled, and they therefore adapt their behaviours to the setting in order to facilitate their needs being satisfied. Problems arise at the level of the community when the needs, and thus behaviours, do not coincide with the values of the community; while problems for the individuals arise when they cannot have their needs met by the community.

Each individual's needs will, to some extent, be a result of their experiences as a citizen of the other communities of which they are a part in Palmerston North. For example, one of the employees in the core of this community has a passion for big cars (those with highly powerful engines) and belongs to a local association of like-minded enthusiasts. That community promotes the behaviour of investing a great deal of money into restoring and increasing the performance of these cars, which encourages the particular employee to do a lot of overtime

work to increase his weekly pay. This often creates a conflict with the company, because it is common for industry service providers to have a flat charge-out rate, meaning that the business has a reduced profit margin when paying overtime rates while not being able to increase the charge-out rate. In some cases an individual's behaviour in a new community may be a result of their experiences in a community from which they have come (an example of this is given below, which shows the role of community norms).

Levine and Perkins state “... *behavior is best understood not as a specific sign of health or disease but as the product of human adaptation to specific situations*” (1997, p. 177). The most common psychological ailment related to the core of this community is worker stress, resulting from staff trying to match their behaviour with the goal of fulfilling their needs, while operating within the boundaries of the work environment. There are several sources of worker stress. Firstly, there are a wide range of skill levels present in the core of this community. This results in some staff being overloaded with work, requiring excessive speed, output and concentration, and leaves other staff feeling under-utilised, with these staff feeling that their skills and knowledge are not used to their potential (Riggio, 2000). This is compounded for certain individuals who are not confident to approach management, as they are subjected to a feeling of lack of control.

Another source of stress and compensatory behaviour is related to fears about company success, and in turn income security. Until about five years ago, this business was performing extremely well and able to provide staff with sizeable bonuses and very good wages. However, this changed as competitors entered the market place and the monopoly on business was lost. The stress about income shows itself as an increased willingness by staff to squeeze out as much money as possible every week; for example, asking for overtime rates when really they should only be getting normal time rates, or asking for living away allowances when they were only out of town for the day. This attitude is very pervasive and actively encouraged. Just three months ago a new employee started, and he already shows this behaviour, even though he has no actual experience of the past payment

regime. It is likely that his behaviour is a consequence of his experience in a past community. This employee moved to New Zealand from another country, and the government there would not allow him to close his bank account and bring his savings with him to New Zealand. It is easy to see how this may have encouraged him to rapidly adapt the norm of asking for more money every week.

Management usually instructs the administration staff to agree to these requests for more wages or allowances than the employee is entitled to, even when it goes against explicit statements in each employee's contract. The reason that management ‘gives in’ to these demands is that they fear employee rebellion through a slackened work ethic and increased absenteeism, as shown by past experience. The contracts state that each employee who has worked for one year or more is entitled to one percent of the annual profits, before tax. Seeing the profits being slowly eaten through by extra demands of staff has created resentment in the remaining staff, and this is serving to encourage them to follow this same line of behaviour. This ‘*each man for himself*’ attitude has implications for the wider Palmerston North region, because it is encouraging management to try to put the prices up, and when this fails cheaper and inferior materials are often substituted (e.g., using PVC conduit instead of steel conduit, which is not as durable and needs replacement more frequently).

In organisations, power inequalities are formalised, or depersonalised, by the creation of positions and titles which almost always indicate some degree of hierarchical structure. Such structures increase the reliability with which power can be wielded... (Orford, 1992, p. 84).

The core of the community does have a hierarchical structure. It is easy to see that the managers have more power than the rest of the work force, and that there is a chain of command even within these managers. The rest of the work force does not have a formal hierarchy most of the time; the only exception is when one of the staff members becomes project manager for a specific job. All the decision-making is centred at the top, with most influence coming from the top two, usually in consultation with the third at the manager level. The decisions that affect all staff are often made without staff consultation. Staff meetings are held, but management has

usually made up their minds before these, and use the time in meetings to persuade the rest of the staff that what they are going to do will be for the best, rather than engaging in genuine two-way communication and negotiation. So, although the top managers have an open-door policy, very few staff are willing to use it.

There is also a definite informal hierarchy, not obvious at first. This hierarchy is based upon many factors: competence, relaxed attitude, and willingness to socialise while still completing their fair share of the work. This informal hierarchy is also depicted in the lines of communication, which are based primarily upon trust and respect. The youngest worker was asked if there was anything significant about the communication between himself and other workers and management - he simply said "*We don't*". There is a definite reliance upon one of the part-time female office workers as a go-between. About eight members of staff feel more comfortable voicing concerns with her in the hope that she will relay their concerns, keeping confidentiality. Usually, she will speak directly with the top level and alert them of the concern. Such concerns often affect more than one staff member, so confidentiality can remain. Unfortunately, she is only part-time, so the staff keep their concerns private for several days at a time.

There is persuasive evidence that work is a major formative experience which can either promote or limit a person's growth in ways which affect the whole person and which therefore shape life outside the job as well as within it (Fox, 1971, p. 11, quoted in Ransome, 1995, p. 1).

Organisational Development (OD) is a branch of psychology that deals with the work environment, and has surprisingly received little attention (Heller et al., 1984). OD seeks to improve work settings by changing the structure (production methods, how the job is performed, etc.), or by improving relationships between the people in that work setting, i.e., human process intervention (Heller et al., 1984).

There are many strengths in this community. Firstly, there are very productive and proactive communications between the core of the community and all the various groups in the periphery. Here well-established communication channels and patterns exist, supported by an effective and helpful administration team. Another strength is that the workers, programmers, and

mechanics do get along well (most of the time), trust each other in their sometimes dangerous work, and are prepared to help each other out whenever they can. Fundamentally, there is a strong feeling of camaraderie. However, the camaraderie probably developed due to the '*us versus them*' relationship between management and the rest of staff, which is the most significant weakness in this community. This may be responsible for the lack of quality communication, reduced job security, and occasional threat of worker rebellion.

This community is heavily involved with the infrastructure of Palmerston North. It has an ongoing contract with the City for the provision of some specific services for the city, conducted on a monthly basis. This organisation is also a service provider for a plant, providing maintenance, servicing and repairs, and installation/upgrade work. This small business, therefore, provides services to households and businesses in Palmerston North. Similarly, it also provides preventative maintenance for a community recreational service, and is also responsible for completing upgrades when instructed by the City Council. Additionally, a 24 hour callout service is provided, and again this small business is the primary service provider for all service requirements for local government owned facilities, including community and whanau centres, recreational parks and sporting facilities, and even recycling stations. This business also provides callout, maintenance, and upgrade services for some farms in the Wanganui, Manawatu, and Wairarapa regions. Other major clients include factories specialising in food products, a Research Institute, a hospital, and a wide variety of other industrial and commercial organisations, while sometimes also providing a service for newly constructed homes.

It may seem that the actions of the various groups within the community detailed above would not have implications for the wider public of Palmerston North. However, many of the events that occur between the periphery and the core of the community, or within the core, will often have consequences for the general public. The public may also be affected by outside influences from regulatory bodies or the City Council. As noted earlier, one of the primary reasons for the development of cities and towns was economic - people can save their resources

by buying goods and services that others can produce more efficiently, and people can also make money by selling their labour, time and effort. If events transpire that lead to the business to become less efficient, less productive, or have increased costs, then the costs will be charged on to the clients, many of whom have direct links with most of the community. For example, if a disagreement between staff and management results in less effort being put in by staff, then projects will take longer to complete. If most projects are quoted, then the business could run at a loss and have to make some staff redundant. This will reduce the income of one or more families meaning less money will be spent with other businesses, and will also reduce the service capacity of this business causing supply problems. If supply problems meant that one of the stations was allowed to break down, then some people would be without services temporarily. If the supply problems resulted in a machine in a factory going out of service, more jobs could be lost.

This business, one small community seated within Palmerston North, has been described so far primarily in terms of the services that it provides to the people of the Manawatu. However, the relationships that span the boundary of this community are two way, as the community is also influenced by other communities in the region, including the PNCC. The primary way that the community is influenced is in terms of income. The City Council has an annual budget to adhere to, in accordance with rates revenue, and therefore pressures suppliers to reduce their rates when working for the Council. This pressure is exerted by the threat of changing supplier. Quotes and tenders will often be rejected, but with the invitation to resubmit if the price is reduced by 10 to 15 percent. As the PNCC is one of the largest clients of this business, they must abide with these 'demands' in order to ensure the future viability of the operation. Increases in revenue from the PNCC in the short term see prices for other clients go up to make up for the decreased profit, thus reducing the flow of money into other sectors of the Palmerston North economy. The PNCC also influences economic activity by setting higher rates for business in the central business district, with the core of this community being located on the periphery of the central business district (CBD). Another source of influence comes from

issuing building permits, which must be sought if clients are planning to extend their premises.

In conclusion, at the core of this community is a local firm that employs around more than 20 people. As a business, these people have come together for primarily economic reasons. *"Whether for material reasons, for reasons of social identity, or for psychological reasons, work is ... an important means by which individuals can satisfy the basic necessities of life"* (Ransome, 1995, p. 1). Maslow's hierarchy of needs stresses that there are many levels of need that motivate people, and all these needs are satisfied to some extent by work (Riggio, 2000). This shows us that the community in which we all work is extremely important to our psychological well-being. However, work communities have far greater implications for the whole of the local community. They are the entities which generate income and then disperse this in the form of wages and salaries, allowing people to then purchase from other business communities. All these goods and service providers are necessary to sustain the life of the region, as it is virtually impossible in today's society with its current value system for anyone to be self sufficient. Society is very materialistic and fosters consumerism, which requires money. Additionally, services are basic amenities we tend to take for granted, such as having services available to our houses, and having public places such as recreational facilities in good working order. There is a myriad of small communities that each play their role, be it big or small, in ensuring that the entire community has the infrastructure and facilities necessary to maintain its vibrancy and economic prosperity. In turn, these communities operate in conditions imposed by the needs and values of the region, often via the central government department in that area.

**KEY WORDS** Business, Services. Ecological. Work

**ABSTRACT** A community depends upon private enterprise for subsistence and growth, for profit, and for means by which people can contribute. Small business empowers people so that they have means to earn money, and ways to use their talents and skills to serve others. Maubach examines, in depth and detail, one successful small business, including its strengths and weaknesses, and its structure, dynamics and operations. Business provides tangible success in offering psychological as well as monetary rewards and is interdependent with local government. Palmerston North is largely

composed of small businesses that interact and relate closely with each other and with local decision-making bodies.

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