MANAGEMENT IN THE INDUSTRIAL WORLD

An International Analysis

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A JOINT PROJECT OF THE
INDUSTRIAL RELATIONS SECTION
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AND THE
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PREFACE

Management is viewed quite differently by different people. Some think of it as a series of functions to be performed by entrepreneurs, managers, or supervisors. Workers identify management with "the bosses" who exercise authority over their working lives. Others think of it as a class or elite in society which has definable status and power. Management, indeed, is all of these things and perhaps more, and if it is to be understood, it must be viewed from several perspectives. In industrial societies, it has economic, social, and political dimensions.

The purpose of this study is to trace the logic of management development as related to the processes of industrial growth. Our concern is more with the dynamics of development—the basic trends of managerial growth—than with an analysis of particular practices at any point of time. In short, we have concentrated on the processes of evolution of management and the forces which are likely to mold its future development.

In this volume, we analyze management in three different ways: first as an *economic resource*, second as a *system of authority*, and third as a *class or elite*. We also have considered the processes by which management resources must be generated in industrializing countries. As the title of the volume suggests, we have attempted to make a wide ranging international analysis. Our aim has been to present a concept which may be relevant to advanced industrial societies as well as to those in the early stages of industrial development.

For the most part, the material for this study grows out of field work by ourselves and our colleagues who have contributed separate essays. We have had some opportunity to look firsthand at management and industrial development in twenty-three countries in Europe, Asia, the Middle East, Sub-Sahara Africa, and South America. We have also drawn heavily on available written material relating to management in the United States and in foreign countries.

This volume appears as a joint product of the Industrial Relations Section of Princeton and the Industrial Relations Section of the Massachusetts

Institute of Technology. It is also an integral part of a broader comparative analysis of Industrialism and Industrial Man being made by the Inter-University Study of Labor Problems in Economic Development, which is a cooperative research enterprise of staff members from Harvard University, the University of California, Princeton, MIT, and the University of Chicago. The funds for our research were provided by the Ford Foundation through the Inter-University Study and also by the Princeton and MIT Sections.

We are indebted first of all to our other two colleagues on the coordinating board of the Inter-University Study: Clark Kerr and John T. Dunlop. For them as well as for us, this volume is another outgrowth of long association which has meant continuous and systematic interchange of ideas. All four of us have worked together and traveled together in the course of this association.

We are directly indebted to our contributors to this volume, who not only have written the chapters appearing under their names but also have made over the course of the past several years major contributions to the development of the analytical framework and the central concepts of the over-all analysis. They are:

Eugene W. Burgess, Director of the Executive Education Program and Assistant Dean, Graduate School of Business, University of California. Dr. Burgess contributed Chapter 11, "Management in France," which is part of a more extensive study in preparation.

Franco Ferrarotti, Professor of Social Sciences at the University of Florence and Head of Social Factors Section, European Productivity Agency. Dr. Ferrarotti wrote Chapter 12, "Management in Italy," and is currently finishing a broader analysis of the Italian Managerial Elite.

Heinz Hartmann, Assistant Professor of Sociology and Research Associate in the Industrial Relations Section at Princeton. Dr. Hartmann contributed Chapter 14, "Management in Germany." His broader work, *Authority and Organization in German Management*, was published by the Princeton University Press in 1959.

Ralph C. James, Assistant Professor of Industrial Relations at MIT. Dr. James wrote Chapter 17, "Management in the Soviet Union" and also assisted in development of the first six chapters.

William H. Scott, Reader in Industrial Sociology and in charge of the Industrial Research Section, Department of Social Sciences, University of Liverpool. Dr. Scott contributed Chapter 16, "Management in Great Britain." His essay is based upon a longer study conducted at the University of Liverpool jointly with Ian McGivering and David Matthews.

Irvin Sobel, Professor of Economics, Washington University. Dr. Sobel wrote Chapter 10, "Management in Israel," and is engaged in preparation of a broader study of labor problems in Israel.

Next we are indebted to the following persons who, as research assistants, assembled and analyzed materials and offered invaluable critical comments: Jarold G. Abbott, Fred C. Munson, and David Williams of MIT and Marie Klein of Princeton. We also want to thank Professors Abraham J. Siegel and Douglas McGregor of MIT for reading the manuscript and making valuable comments. And to Miss Doris McBride and Mrs. Dorothy Martin of Princeton and Miss Rhoda Abrams, Miss Ellen Anderson, and Miss Beatrice A. Rogers of MIT we extend our thanks for painstaking typing of the many drafts of the manuscript, also to Mrs. Mary B. Fernholz who prepared the index and to Miss Nellie Offutt, Secretary of the Industrial Relations Section.

Finally, again to Marie Klein we are particularly indebted. She performed the major job of final editing and preparing the manuscript for the publishers. At this task she worked hard and long while the authors were abroad during the early part of 1959. Without her neither the manuscript nor the trip would have been possible.

Frederick Harbison
Charles A. Myers

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PART I: AN INTERNATIONAL CONCEPT OF MANAGEMENT

Chapter 1

ORGANIZATION AND MANAGEMENT

In the final analysis, a nation's progress depends upon its capacity to organize human activity. Organization is necessary to create a state, to build an army, to propagate ideologies and religions, or to carry forward economic growth.

The essence of organization is the coordinated efforts of many persons toward common objectives.[1] At the same time, the structure of organization is almost inevitably a hierarchy of superiors and subordinates in which the higher levels exercise authority over the lower levels. The successful leaders of organizations, or more precisely the organization builders, are in any society a small, but aggressive minority. But they feed the aspirations, give expression to the goals, and shape the destinies of peoples. They play the principal roles on the stage of history; they organize the march of the masses, and they are responsible for the direction, the pace, and the ultimate success of the march.

In modern society, industrialism is an almost universal goal toward which all nations are marching. The underdeveloped countries are striving to industrialize as a means of accelerating economic progress; the advanced countries seek to broaden and to extend industrialization in order to achieve ever-higher standards of living and greater economic power. In the march toward industrialism, capital, technology, and natural resources are but passive agents. The active forces are *human agents* who create and control the organizations and institutions which modern industrialism requires. They are the ones who build and manage the enterprises which combine natural resources, technology, and human effort for productive

[1] "...If the organization is a shoe factory, for example, it assumes the objective of making shoes. Whose objective is this—the entrepreneur's, the customers', or the employees'? To deny that it belongs to any of these would seem to posit some 'group mind,' some organismic entity which is over and above its human components. The true explanation is simpler: the organization objective is, indirectly, a personal objective of *all* the participants. It is the means whereby their organizational activity is bound together to achieve a satisfaction of their own diverse personal motives." Herbert A. Simon, *Administrative Behavior*, The Macmillan Company, New York, 1945, p. 17.

purposes. They shape the organizations which link men together with new chains of authority and subordination, which spawn the new centers of power and thus accomplish the transformation from preindustrial to industrial society.

The direction and pace of the march toward industrialism depends upon the groups which provide the leadership in organizations. In the initial stages, the leaders may be a preexisting dynastic elite, a rising commercial and industrial middle class, revolutionary intellectuals, the administrators of colonial enterprises, activists in a nationalist movement, or varying combinations of all of these.[2] In Japan, for example, the state turned to a number of family dynasties, the *zaibatsu*, for the creation and management of its large industrial enterprises. The *zaibatsu* carried the ideas of feudalism, paternalism, and family rule into the new industrial society and, in so doing, created a kind of industrialism which preserved the traditions of preindustrial society while consciously promoting the nationalist ambitions of the state. In England, the early industrialists were members of a rising middle class who were motivated by a drive for personal profit. They sought release from the shackles of the old order and a freeing of individual initiative in all areas of life. As industrialists, they rose by virtue of their own luck, merit, or individual effort, recognizing the market rather than the state as the legitimate master of their destiny. In the Soviet Union, on the other hand, the revolutionary intellectuals swept aside both the preexisting dynastic elites and the middle class. These revolutionaries were self-selected for the task of leadership by their adherence to what they believed to be a superior theory of history. They attempted to manage the state, the party, and factories alike in accordance with the principles of their marxist ideology.

In other parts of the world, the colonial administrators were the initiators of industrial development. They provided the money and the management for the colonial enterprises, which they organized primarily to promote the interests of the home economy. And in more recent times, the nationalist leaders of many newly independent countries have instigated and sparked industrialization as a means of demonstrating their economic as well as political freedom from the nations which formerly planned and governed their affairs.

Yet, as we shall show, the initial organizers of industrial development may be succeeded by others who bear little resemblance to their predecessors. The old family dynasties have changed their character in Japan; a professional bureaucracy has taken over the reins of industry in Russia; the proprietory capitalist of the nineteenth-century variety is hard to

[2] This point is developed in more detail in *Industrialism and Industrial Man*, Inter-University Study of Labor Problems in Economic Development, chap. 3. (Unpublished.)

find today either in England or the United States; and the colonial administrators are everywhere on their way out. As industrialization progresses, the organization builders are likely to change, but in each society the imprint of the early leaders is usually still discernible. The logic of industrialization, however, leads to uniformity rather than diversity among both industrial organizations and organization builders. The early leadership explains how a country may have started on the road to industrialization, but it provides very few clues as to where an industrialized country may be going in the future.

Our objective is to formulate, and to illustrate with empirical references, a general concept of the management of industrial organization which is applicable to advanced as well as to the newly industrializing countries. We shall attempt to trace the dynamic forces which govern the development of management in response to the logic of industrialization. Our aim is to present a global concept rather than an explanation of the development in any particular country or economic system.

Before embarking upon this task, however, we must be more specific about what we mean by the terms "organization," "management," and "organization builders." These terms have been used in the past by various authorities to mean different things, and in important respects, our particular usage is at variance with that of many writers in this field.

ORGANIZATION AND INDUSTRIALIZATION

It is useful, perhaps, to divide the organizations associated with economic development into three categories: (1) the government agencies concerned with planning of development and management of the economy; (2) the associations of business organizations; and (3) the organizations which actually control and operate financial, commercial, and industrial enterprises.

In a country such as the Soviet Union,[3] the government agencies concerned with industrial development might include the State Planning Committee which draws up the National Economic Plan and the individual ministries responsible for the organization and supervision of production through the one or more subministries above the plant manager. The Communist party organization and, to some extent, the secret police appear to exercise a control function, and in some enterprises the party is still important in making production decisions.[4] The State Bank, by virtue of the requirement that firms handle all financial dealings through it, provides additional control mechanisms, as do the subsections of the

[3] Harry Schwartz, *Russia's Soviet Economy*, 2d ed., Prentice-Hall, Inc., Englewood Cliffs, N.J., 1954, chap. 6.

[4] *Ibid.*, pp. 191–192, 195.