Organization

and

Management

THEORY AND PRACTICE

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Introduction

The purpose of this introduction is to show teachers of management why this book is necessary. Students who find the vocabulary of this introduction is new to them are nevertheless advised to skim through it just to get some sort of 'feel' for the rest of the book. There the ideas (which the introduction treats in a sort of management shorthand) are fully explained. If students return to the Introduction after having read the book they will, I feel sure, be gratified by their newly acquired insights.

It is natural that Western writers of texts on business organization and management should tacitly assume that the subject is being studied with a view to applying it within a capitalist framework. But that does not justify those who fail to consider the crucial impact upon an organization's dynamics of applying to it capitalist *mores*. (*Mores* is a useful Latin word. It expresses in shorthand the customs and conventions which are essential to or characteristic of a community.)

No writer needs to tell us that he has assumed that we all breathe the same air. We can even stretch a point and say that a management writer is justified in omitting to point out to his readership that his ideas are based upon the *mores* of capitalism, since he is able to assume that his readership will not only recognize that fact but also share his beliefs. But it is just inexcusably bad scholarship if he doesn't even pause to consider the impact that those *mores* will have

(a) upon those people in the organization who do not share them, or
(b) upon those people who share them in principle, but who will object to specific proposals based upon them by which they are disadvantaged.

These *mores* dictate management initiatives. But until the *reaction* to each such initiative has been considered, we cannot speak of a *transaction* having occurred. These *mores* are therefore a major force in the dynamics of

the organization. From the management standpoint they determine the nature of the goals which the organization is to seek, they determine the means by which it is to seek them, and (except in exceptional circumstances which we shall discuss later) they determine the moral values to be applied to all such activity. These *mores* are also central to the employee's reaction, irrespective of the form that takes. The employee may appeal to these same *mores* in his agreement or disagreement with management initiatives: though in the latter case he is more likely to challenge them. But either way the substance of the reaction centres upon the legitimacy or otherwise of the *mores*.

So good scholarship requires that a key consideration in any book on business organization and management should be the role played by capitalist *mores* in initiating action, in affecting reaction and thus in colouring transaction. Moreover, just because an author does not acknowledge that he himself has adopted a position in relation to these *mores* does not mean that he has not done so. If he had **not**, he could make no meaningful comment.

In all capitalist societies there exist certain infrastructures to perform the tasks which virtually everyone seems to agree it would be inappropriate to leave to market forces (defence, police, education, etc.). Such organizations as these are financed out of national and/or local taxes. Whether these organizations are operated by a local authority or by the authorities of the individual states which collectively form a federation, or by the authorities of a national state, is immaterial to the point I am making. In all instances they and the job they perform are taken out of the market-place and have become what for convenience I shall call a 'state' responsibility.

In Western Europe the majority of people (though by no means all) have sought to extend this list to cover certain welfare services, health care, unemployment benefit, old age pensions, and so on. Criticisms of such extensions to the list are more muted in Europe than they are in the United States. There the belief is more widely held that the less government interferes with what goes on, the better. This view that governments should, so far as possible, keep away from any action which might interfere with the free flow of market forces is referred to throughout this book by its commonly used French title of 'laissez-faire': (literally 'allow to happen').

American adherence to laissez-faire principles (which deny the state's social responsibility) has resulted in two basic themes in American management literature. The first is to extol the virtues of laissez-faire everywhere in the economy, including within the firm itself. *This theme falls into the error of understating the social role of the capitalist employer.* The second seeks to apply laissez-faire attitudes to businesses but to shield individuals from the competition and social indifference of this harsh

doctrine. It therefore assumes that the untempered wind of market forces may freely blow anywhere other than within the firm. There the individual, for no better reason than because he is an employee, is to receive the care and attention denied by the laissez-faire state. *This theme falls into the error of overstating the social role of the capitalist employer.*

For me, as for millions of other Europeans, a capitalist economy which contains areas in which social need takes precedence over market forces, is the basic framework from which to work for the 'best' society. By 'best', we mean a society which is able to tolerate the greatest number of individual views... in short, a *pluralist* society. Such societies remain pluralist because, despite the many social obligations which are assumed by the state (and which are thereby subject to central funding and control) the main engine of the economy is decentralized. Even under Western European so-called 'socialist' governments, it is the economic activity of individual concerns (responding to the operation of market forces within a framework of enforceable contractual obligations) which powers the economy. Such decentralization of economic power is essential if pluralist political institutions are to be preserved.

Such capitalist economic pluralism, which is devoid of centralized planning and control, is possible only if there is an automatic integrative principle at work. There is. It is the 'invisible hand' of market forces. There is considerable truth in the criticism that capitalism's integrating 'invisible hand' will respond to the wishes of those with money, but ignore the needs of those without. That is precisely why most Europeans want two sectors within the system; one which uses the dynamics of the market-place to generate wealth and independence, and one which syphons off some of that wealth to be used to relieve distress, irrespective of the sufferer's ability to pay.

The impact of all the individual decentralized decisions in the competitive market sector have

(a) been the major means by which economic resources are allocated,
(b) generated the economic activity whose surplus has been taxed to pay for the other sector,
(c) fostered parliamentary democracy (as I shall explain later in this Introduction), and
(d) created over the centuries a world-wide trading network of great subtlety.

In avoiding gluts and shortages, capitalism has shown itself to be more responsive, and therefore more efficient than most centralized bureaucratic planning. Moreover, it motivates high output. To supplement the poor agricultural performance of Russia and China, both states have had to

tolerate the operation of a capitalist subculture. While it remains to see what the future brings, in 1984 China initialled an agreement *to the effect that, when Hong Kong reverts to her in the 1990s, she would seek to harness capitalism's dynamism by a policy of operating capitalism and state socialism in tandem.* In December 1984 China appeared even to be denouncing Marxism, so perhaps she wishes to go beyond a mere tandem arrangement.

The term 'invisible hand' may by its poetic imagery invite mockery, but the reality it describes is both prosaic and practical. I, for one, am grateful that it has saved us for so long from the alternatives. These are: *(1) having no integrative principle, thereby producing the chaos of anarchy.* This, I feel sure, would be so unbearable that, if it did not result in a reversion to capitalism, then, out of desperation people would turn to *(2) imposing integration by centralized control.* This latter soon degenerates into totalitarianism.

I do not accept the viability of any hypothetical systems which have the alleged power both to overcome the chaos of anarchy and to sidestep the totalitarian evils of centralized control and to do both without resorting to the use of market forces. Unlike the 'invisible hand', such systems – usually variants on syndicalism – really **are** mysticism. It is relevant to note that the syndicalist aspirations of the anarchists in the Spanish Civil War were thwarted by the hierarchical discipline of the communists, and it is also relevant to note that at a Marxist conference in Venice held in the late 1970s the delegates from the West expressed their belief that Marxism could be pluralist, though those from the East recognized it could not.

Most American Organization and Management literature ignores the problems which result from managements basing their actions on capitalist *mores. In saying this I do not overlook the fact that the human relations and neo-human relations writing consists of little other than remonstrations against management's current style. This, however, only supports my claim. These remonstrations never suggest that such a change in management style will involve modifying capitalist objectives.* I can only conclude that, for such writers, management style is an *independent variable.* Indeed, as if to underline this independence of management style from capitalist objectives, *Robert Blake* and *Jane Moulton* (1964) make them, quite literally, independent variables. Their concept of management is to see it as a 'grid' which has **management style** on one axis, (under the label **'concern for people'**) and **capitalist** *mores* on the other (under the label **'concern for production'**). Furthermore, they infer that the best managers are able to maximize the values of both axes without compromise. Since the Second World War, these, and most other American liberal writers, have considered the capitalist system as though it were a neutral canvas on which the manager were free to paint in any style he chooses from Raphael to Renoir,

from Poussin to Picasso.

There appear to be two possible explanations for such writers ignoring the impact on organizations of the *mores* of capitalism. One is that they have done so without realizing it. I find it more likely (and more generous) to assume the other. This is that they are seeking to avoid the topic in the hope of insulating capitalism from the criticism which, typically, it receives from Marxists. If this is their purpose, then they could not have performed a worse job. *By their refusal to argue that capitalism is a morally superior system, **despite its warts,** they have left the field open to the Marxist.* He points to the warts, he refuses to acknowledge that some of them would apply to any social system and therefore cannot be attributed to capitalism *per se*, and, of course, he makes no concession to capitalism's virtues.

But this is the negative damage that such writers do to the cause of capitalism. More significant is the positive damage that they do when they attempt to show that a conflict-free (and thus unitary) form of capitalism is possible. This of course is nonsense. But it is a nonsense that Marxists can exploit, for it lends credibility to the promised land of Marxist mythology. This is their belief that following the overthrow of capitalism, the 'dictatorship of the proletariat' will be a non-hierarchical and spontaneous mass-purpose, devoid of conflict, and thus not so much denying the validity of pluralist institutions as making them irrelevant.

If the general tendency for American liberals to see unitary organizations as desirable lends credibility to the above Marxist imagery of post-capitalist society, they are even more supportive of it in the specifics. For example, many liberal Americans suggest that hierarchy is unnecessary. *This fallacy finds its counterpart in the Marxist claim that hierarchy is not a universal requirement for any and every society, but simply an oppressive device of capitalism.* Similarly, many liberals hold a belief in the universal goodness of man. By so doing they not only deny all the evidence of history, but they make pluralism unimportant. This is not the same as the Marxist claim that the pluralism of capitalism is an **illusion**, yet if the liberals have made pluralism **unimportant**, the distinction hardly matters.

The interesting question we should ask is why any liberal who apparently believes these fallacies should take the trouble to hide the warts on capitalism. *I am a capitalist precisely **because** I recognize that hierarchies are essential. That being so I am fearful of the inhuman acts which those with unrestricted centralized powers have shown that they will perform in the name of humanity.* Of course, states whose governments already have achieved totalitarian powers can even harness capitalism, as we saw in Nazi Germany. But the Nazis gained power precisely because the economic events which followed the First World War, including reparations demanded of Germany, undermined capitalism there. Always the propensity is for a state

which has centralized its economic planning to become totalitarian either by evolution or by revolution; not least because the levers of power are there to be grabbed. By contrast, the opposite is true of capitalism. For capitalism succeeds not only in diffusing economic power: it also diffuses the relationships of the separate hierarchies which wield that power. Such hierarchies are cross-linked by no more than the mutual benefits which result from trade: *links which are based not on **authority**, but on mutual convenience.* By this means the whole edifice can escape both the bureaucratic burden and the potential tyranny of centralized planning and control. For in the latter economic framework the 'separate' hierarchies may have functional specialisms: but they have .no autonomy. They are locked into the authority structure of one huge totalitarian pyramid.

Yet none of these considerations (which are of such immense consequence to **me** in choosing a modified form of capitalism as my preferred economic system) would seem to have any logical significance for those American liberals who are able to convince themselves that hierarchies are not only unnecessary, but that human nature is essentially good. *On the contrary, their avowed beliefs make it illogical for them **not** to criticize capitalism. If non-hierarchical harmonious societies are a realistic option, what do they need with a system of impersonal market forces which inverts the liberal priorities? For such forces create economic and technical initiatives which dictate the nature of the political and social response. By contrast, liberal policy would prefer that political and social initiatives should dictate the economic and technical responses.* So we must ask the obvious question that this situation prompts. **Can it be that, at some subliminal level, the American liberal is fully aware of his own nonsense and recognizes that our pluralist institutions, by the grace of capitalism, are the greatest single bulwark against state oppression that we know?**

Whatever the answer to this conundrum, the price paid by American Organization and Management writers when they ignore the organizational impact of capitalism buys **nothing**. *The warts are **still** apparent. What they **do** succeed in doing is in making nonsense of their own scholarship and in the process denying capitalism its virtues.* It is precisely because people **do** have different interests and aspirations that the pluralist institutions, which capitalism naturally generates, are important. Pluralists assume that individuals and groups have the right to dissent. They therefore regard it as legitimate and even desirable that individuals or groups should identify where their own best interests lie and be prepared to fight for them.

It is one of the ironies of life that it should have been in the USA that writers should claim that the firm is properly a unitary institution: for it was the USA's founding fathers' regard for pluralist institutions which led them to write the 'separation of powers' concept into the Constitution. Yet, ironic

as this twist most certainly is, it is not difficult to suggest why it should have happened. The idealization of laissez-faire capitalism, which occurs in American society as a whole, is entirely compatible with pluralism: but it is a doctrine which allows the state to justify placing the strictest limits on its social responsibilities towards the individual. Nor does the nature of the capitalist firm fit it to accept those social responsibilities which the state has refused. Were it to do so it would be engaging in a neo-feudal activity which is completely alien to the contractual and limited nature of all its dealings, and would, in any case, be beyond its resources to guarantee. Yet it requires little psychological insight to see why a socially concerned writer, whose heart ruled his head, should wish this role on to the firm.

Because I understand and even sympathize with the motive, it does not mean that I find the concept any less mistaken nor any less invidious in its end result. For the presumption that the firm could and **should** act in this way is used by writers of both the human relations and the neo-human relations schools to justify an assumption that the employee (if so treated) would identify with the organization's goals. There's the rub. *For by this series of apparently innocuous and even laudable moves, these theorists arrive at the position in which, in the name of social concern, they create a myth of unity. But its true effect is tacitly to deny pluralism within the firm because they deny the need (and with that the right) of the employee to hold a different view from that of the management.* (It is true that the neo-human relations writers sometimes pretend that it may be the employer who adopts the goals of the employee, but, in a key sentence in his book (which I reproduce in paragraph 10.3.33) Douglas McGregor shows the emptiness of this claim).

There is further reason to wonder that these writers should have developed, in support of their motivation theories, a myth that the most successful firms are those which enjoy a wholly co-operative internal ethos. For had they cared to look at the criteria by which organizational structures are segmented into departments and divisions, they would have seen that the opposite was true. Today's successful firms are even more conscious than their predecessors that organizational structures are essentially sectioned off in a manner which will concentrate the efforts of each section towards specific goals and towards using minimal resources in their achievement. It is never possible to know in **absolute** terms that resources used have indeed been minimal. *But, at least by using an accounting system which exposes when the section fails to achieve a standard equal to the best alternative internal or external source, management can know whether they are **relatively** sustaining any more than the minimal 'opportunity cost'.* If they find that a section is uncompetitive, they respond by eliminating the factor responsible. So (if for no other reason than this) the nonsense of claiming that the firm could, and should, be an oasis of co-operation in a competitive

environment should have been easily recognized. Why in British business schools the neo-human relations myth should have been so readily adopted in the face of all evidence and *a priori* reasons to the contrary is a matter for speculation, but one I will not pursue.

A REVIEW OF CONTENTS

Part One of this book (Chapters 1 to 5 inclusive) attempts, with illustrations from management issues, to show the student why there is a 'management theory jungle', and to make the student aware that one of the causes is that each theoretician is seeking not only to deal with certain intractable problems which defy resolution, but to do so in terms of that part of socio-political spectrum of which he approves. So, for a full appreciation of the position of each theory in the tangle of the jungle, the student needs to understand

(a) the objective nature of the problem, and
(b) how the theorist's socio-political position affected
     (i)   his perception of it, and
     (ii) the priorities of the 'trade-offs' he made in his response.

Once he has understood the ideology which explains why each school had a different concept of what goals were more desirable, what constraints were more stubborn, and what means were more efficacious, the student will at last be in a position to comment intelligently on contradictory claims. As for the manager, he needs to consider

(a) the social, technological, economic and political constraints in which he operates,
(b) the freedom that remains to him for choice,
(c) the justification he can make, both to himself and to others, for applying the concepts of one school rather than another, or his decision to hybridize his choice.

Only so can he feel that his stewardship is honest.

Part Two (Chapters 6 to 11 inclusive) deals with motivation. It accepts that motivation means getting the worker to co-operate in achieving management goals. However it denies the two extremes of:

(a) the Marxist view which assumes that the worker's natural role is to be in total conflict with management, and
(b) the view of the various 'content theory' writers who believe that, given the right ingredient(s), the worker will see everything through management eyes.

Morality and common sense suggest that the 'best' that can be legitimately hoped for, from management's standpoint, is that both they and the worker, while acknowledging that legitimate potential differences of interest exist, can find enough mutuality of interest most of the time. If so, it will be because the employee has come to terms with the constraints which hierarchies impose, as well as with the many technological and economic constraints whose inevitable existence is here described.

Part Three (Chapters 12 to 15 inclusive) deals with organization. It explains that the different theories of organization reflect an emphasis imposed by the theorist's perception of the problem to be solved. It acknowledges that there is some legitimacy in the human relations and systems attacks upon the 'mechanistic' elements in classical theory. Nevertheless, the main thrust of this part is to show that the *mores* of capitalism (and in particular the requirement for managements to seek to minimize opportunity cost) are met by classical concepts. They have therefore a perennial validity. Both the human relations and systems approaches would benefit from re-assessing the overly facile assumptions they have made in their criticism of classical thought.

Part Four (Chapter 16) deals with organizational goals, strategy and tactics. It suggests that cultural pressures have led to myths replacing the reality of the situation. The reality is that the goals of the organization are essentially those of management, while the goals of all other parties form the constraints within which management operates. This tends to focus (rather than diffuse) management goals. The myths, which have understandably (but mistakenly) been fostered by today's anti-elitist/pro-democratic ethos, are of three general types. Their respective claims are that:

(a) Organizations have a transcendent life of their own (which includes goal-setting).
(b) Organizational goals are a matter of consensus between interested parties.
(c) The typical organization is so big that top management are impotent. Experts of every status and buried deep within the firm (the techno-structure) have the real power.

These myths have just a large enough element of truth to be accepted. They are, however, almost wholly false.

The need for strategic planning and the manner in which existing organizational structures predispose the outcomes are also considered.

Acknowledgements

Apologia

My first apology is addressed to my women readers because, throughout this text I have used the words 'he' and 'him'. In the first draft of the book I deliberately referred to 'her/him' and '(s)he', (please note the priority), but colleagues who read this draft found the practice irritating. They approved my purpose but found that I had thereby confused the text. I started to re-write using only 'her' and 'she', but when I considered my readership it became, even for me, far too quixotic a gesture. For the lamentable fact is that the vast majority of students and practitioners of management at present are men. I therefore beg the forgiveness of my women readers. I do not want to add to the social injustices that you suffer: yet I do admit that my use of 'he' and 'him' adds another straw to the load of prejudice that you carry.

My second apology is for the use of the first person 'I' or 'we'. There are very good reasons for expressing ideas in an impersonal way; and this is something that most writers achieve by expressing themselves in the passive voice. Yet it is a practice that certainly makes the text less immediate and sometimes less clear. However, its most awkward outcome is in knowing what to say when the author wants to warn the reader that the view he has expressed, however true he feels it to be, is his **personal** attitude and **not** one that is generally held; or alternatively, how to refer to a **personal** experience. To maintain the formal style he then resorts to speaking about himself in the third person. This means that when he wants to say *'I think...'* he has to use such pomposities as *'it is the author's personal belief that...'*. In spite of this it is still important to keep the egocentricity within bounds. Thus, where I feel that if the reader and I were having a face-to-face discussion we would be likely to draw the same conclusions, I have used the word 'we'. For example, I might say, *'...we can infer from this evidence that...'*. When I feel that my views are idiosyncratic I shall use the word 'I' to underscore the fact. In a book such as this, which has many occasions to refer to various belief-systems, this is an important consideration.

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