

Cornerstones of Management

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We shall not find any simple prescriptions for sound organizational leadership; nor will it be purchased with a bag of tricks and gadgets. It requires nothing less than the proper ordering of human affairs, including the establishment of social order, the determination of public interest, and the defense of critical values." Philip Selznick, 1957.

Long ago, classical writers in the field of management formulated a few basic cornerstones of managerial philosophy. These key principles are applicable to the practice of management in any era. Several have special application to our managerial and economic problems of today.

We have much reason to believe that our present performance as managers is not effective. The world economy of today is in considerable difficulty. In the United States, several of our largest and most important industries have been marginal for several years. Governmental budget deficits threaten the stability of world financial markets. Record trade imbalances continue. International debts mount yearly with our own country being the largest debtor nation. The world's security markets have become increasingly volatile. The threats of world-wide inflation and monetary instability remain pressing concerns. Severe unemployment exists in many regions.

Obviously, some of these problems may be beyond the scope of management at the level of the firm. But, some of us prefer to look for more hope in the process of management. With effective management, we should at least be able to greatly improve our situation. What is necessary is a re-examination of our concept of management. What are the *basic cornerstones* of our theories of management? Which of these *basic precepts* are most applicable to the problems of today?

Effective management is important to the stability of our social systems and our general welfare. Effective management influences the performance of the economy at the level of the firm and in the aggregate. The

performance of the economy, in turn, influences many social and cultural developments. Within this framework of these interconnections, our attempt here is to review some of the thoughts of the authors of the managerial classics regarding how the practice of management should relate to the performance of the economy and to society in general.

It is useful to evaluate concepts of management with respect to the economic setting in which they were developed. Our prevailing concepts of management have changed over time. Individual management theories have been popular at one time or another but have become less popular under different conditions. Great leaders of the past relied heavily on a charismatic style of management. Team mobilization, basic organizing, leadership and the amalgamation of power were central attributes to the emergence of the important organizational entities of our earlier history. During the early 1900's, when our country was struggling to establish itself as an industrial power, there was more interest in efficiency, order, and more of an engineering approach to the process of management. Then, after greater prosperity had been attained, our attention shifted to the social man concept of management and to motivation, participation and personnel administration. Since the 1960's, with the arrival of larger businesses and global economic activity, we witnessed more interest in the analytical, quantitative, decision making and strategic aspects of management.

Each of these schools made contributions to a more comprehensive theory of management, but, the schools did evolve somewhat sequentially. The different economic and environmental conditions of distinct times required varied managerial approaches. Some managerial theories emerged from robust economic periods when they worked well. Now, we may be entering a new historical period with economic conditions entirely different from those we have routinely experienced since the end of WWII. The management theories we have employed for

the past forty years may produce unanticipated results if applied under these new and different economic conditions.

Because of the economic problems in the world today, we may need to draw more heavily upon those theories that were developed during periods of less affluence. In rereading the earlier management literature, with the benefit of longer history and more information, we may find some prescriptions that relate much more appropriately to the problems we face at the moment than managerial theories fostered during more affluent circumstances.

Perceptions Of Management -- A Fundamental Difference

We could illustrate this matter of perceptions of the managerial task by the following example:

Company A is involved in a basic industry that shows signs of maturity. The industry is viewed as crowded, low margin, slow growth and is fraught with stagnation in its labor management relations. These characteristics are detected by sound analytical techniques as applied by Company A's headquarters staff. A strategic direction is charted to get Company A into a more vibrant and emerging business. The base business is milked as a cash cow while Company A's resources are shifted to emerging markets.

Company B is in a similar industry and its management team observes similar trends. Also observed are the higher margins and higher growth rates in a new industry potentially available to Company B. However, the management of Company B notes that there are two major considerations to any dramatic shift to the new industry:

- 1: The skills required for the new industry are radically different from those currently possessed by the company's management and employees.
- 2: The magnitude of employment potential in terms of jobs and earning power is numerically small.

The management of Company B also observes that there are many opportunities to improve the efficiency of the base business and that the opportunities available in the industry are regarded as lucrative by international suppliers. Company B concludes that its inherent expertise in its present industry is much greater than it would be in the new industry and that it would be difficult to establish a lasting presence in an un-

known market so late in the game. Company B establishes a strategic direction, with the cooperation and understanding of the company people, to concentrate on the industry it now serves and to become the most efficient and differentiated supplier in its base business.

We are not going to postulate which of these two approaches will be most successful. Arguments can be made for either approach. What we wish to highlight is the fundamental difference in the perceptions of what the term "management" really means.

To Company A, management is a task of strategic selection. Management involves analysis, decision making, resource allocation and the eventual strategic direction of the firm. **The emphasis is on selecting the most advantageous thing to do.**

To Company B, management is the necessary task of implementation. The emphasis is on service to markets, cooperation with the company's people, the company's efficiency, its effectiveness and its mission in society. The emphasis is on the development of a competitive advantage and the establishment of an international position. **The emphasis is on taking what you have and making it work.**

To Company A, the emphasis is on selecting the most advantageous thing to do. **To Company B**, the emphasis is on taking what you have and making it work.

Though there may be instances where either of these two approaches is most appropriate; they are fundamentally different. They are quite different in their underlying value systems and they are different in the kinds of skills the managers need to implement each approach. Though each approach has a value, many businessmen and academic leaders have been concerned that we may be drifting too much toward the analysis of problems at the expense of refining our ability to execute. We may be strategically positioning ourselves into some situations that have high potential but we may not be sufficiently prepared to attain the potential that exists.

Clearly, there are some excellent companies that have developed and retained the ability to execute. These companies have developed the skills to survive and expand during a period of a tough world economy.

They have been able to attain success by operating efficiently in industries that other firms found difficult -- in industries sometimes regarded as lackluster and slow growth. We should remind ourselves that industries we often see as mature and slow growth are often recognized as highly exciting opportunities by off-shore competitors.

Surely, we cannot discard most of industrial America because it doesn't fall into the proper corner of the Boston Consulting Group matrix. We have to examine what effect our managerial actions of today will have on our society in the future and on the firms that we, as managers and directors, represent. We have to determine which styles of management are appropriate to the particular circumstances we have before us. We have to determine which principles of management must we employ in order to survive in an integrated society.

A patient review of the historical literature on management will bring forth many many interesting and applicable managerial concepts which will stand the test of time. However, there are four value laden philosophical themes which seem to surface repeatedly as important cornerstones of the managerial process. Our intent is to examine the applicability of these four cornerstones to our business problems of today. Briefly, they are the following:

- 1: The practice of management is based on the fundamental principle that the **enterprise** is an integral **part of the whole community**.
- 2: The practice of management is based on the fundamental principle that there is a **coincidence of interest between workers and the organization**.
- 3: The practice of management is based on the fundamental principle that a **high degree of integrity must exist on the part of both managers and workers**.
- 4: The practice of management is based on the fundamental principle that **shared value systems, objectives and beliefs must be established and inculcated within the organization**.

It is not the author's intent discuss which of these principles is preeminent. I merely wish to review what has been said. Perhaps, we can stimulate discussion by reviewing these few principles which seem to appear so repeatedly in the more respected historical manuscripts in the field of management.

THE ENTERPRISE AS PART OF THE COMMUNITY

A business is an integral part of a larger community system. To Henry Gantt and Oliver Sheldon, the mission, the goals and the means the enterprise employs to achieve its objectives must be firmly rooted in the needs of society.

This concept of the enterprise as part of the community has a social dimension in that it integrates the interests of society with those of the firm. Notwithstanding, the concept was fundamentally economic. In the view of these writers, the firm would not succeed over the long term without adhering to this basic concept of service. Oliver Sheldon saw this issue clearly his preamble to his 1923 essay; "A Philosophy of Industrial Management".

"Industry exists to provide the commodities and services which are necessary for the good life of the community, in whatever volume they are required. These commodities and services must be furnished at the lowest prices compatible with an adequate standard of quality, and distributed in such a way as directly or indirectly to promote the highest ends of the community. Industrial management, in a broad sense, is the function, practiced by whatever persons or classes, responsible for the direction of industry to the above end. It must, therefore be governed by certain principles inherent in the motive of service to the community. Such principles are -- Firstly, that the policies, conditions, and methods of industry shall conduce communal well being. It is therefore part of the task of management to value such policies, conditions, and methods, by an ethical measure." ⁴⁷

The industrial engineer, Frank Gilbreth, also recognized the integration of proper and effective management, the general prosperity of the peoples of the world and the health of the firm itself. From the closing paragraphs of his 1923 essay, "Science in Management for the One Best Way to do Work", we have the following:

"Greatest national prosperity depends upon greatest individual training in knowledge and in ability to contribute toward the public welfare. Such contributions may be, and often have been, more or less haphazard and still result in good. However, to be most profitable, activity must be planned and directed, must have ability, experience and knowledge behind it. It must be based on measurement and willingness to abide by the result of measurement. Nothing will stand for a long time and continue to exist and to give satisfaction unless there is a real reason for it so doing. It may stand for a long while because no one has changed it, but the day of comparison and

*struggle for survival will come, and unless it can show logical reason for its existence, it must go. Therefore, development of national prosperity that is to have permanent stability, that is to be evolution and not revolution, that is to attain and perpetuate the all essential element of maintenance, does depend upon science, upon measurement; and it is for this reason that the science of management is an essential factor in the development of national prosperity, of international prosperity, and of the prosperity of the whole world.”*²²

Henry L. Gantt, also an accredited member of the scientific management community, underscored the necessity of service to the community as a *foundation* to efficiency and success in his essay, “The Parting of The Ways”, which was written at the time of the First World War.

*“It is this conflict of ideals which is the source of the confusion into which the world seems to be diving headlong. The community needs service first, regardless of who gets the profits, because its life depends upon the service it gets. The business man who says profits are more important to him than the service he renders; that the wheels of business shall not turn, whether the community needs the service or not unless he can have his measure of profit, has forgotten that his business had its foundation in service, as far as the community is concerned. We all realize that any reward that business arbitrarily takes, over and above that to which it is justly entitled for service rendered, is just as much the exercise of autocratic power and a menace to the industrial peace of the world, as the autocratic military power of the Kaiser was a menace to international peace. This applies to Bolsheviks as well as Bankers.”*²⁰

It is interesting to note that Gantt argues these points from the standpoint of industrial efficiency -- from the long-term interest of business itself. The firm must be an efficient and low cost provider of what society needs. If this principle is not observed, the enterprise will not be successful. In addition, the civil peace of the society itself will be in jeopardy.

Chester Barnard devoted an entire chapter to opportunism in *FUNCTIONS OF THE EXECUTIVE*.⁶ Barnard described opportunism as existing when the values, ideals and decision processes become specialized to the individual rather than to the organization or to society. The nineteenth century French Industrialist, Henri Fayol, formulated a similar concept in his sixth principle of management; “Subordination of individual interests to general interests”⁵⁹. For centuries, an operating principle of the religious monasteries has been that the individuals subordinate their interests to those of the community and to the society in general. Although, in spite of low pay, subordinated interests and a restricted channeling of self actualization, peo-

ple worked hard. The organizational format of the Benedictine Order has survived virtually unchanged for 1500 years with the vow of poverty being a principle element.

Modern scholars have also commented on the dysfunctional nature of too much opportunism. The noted geographer, John Adams, a specialist in the development of regional economies, lamented the dysfunctional role an opportunistic service sector is playing in weakening the U.S. economy. From his address entitled “The Regional Service Economy and Other Contemporary Frauds.”:

*“It’s a national scandal and in the aggregate everyone loses. None of these ploys creates new wealth. Each merely shifts assets from one set of pockets to another. Together they foster a cynical indifference to production or to any goal beyond personal gain. Sustained economic growth can be achieved only through cooperation. The future welfare of the country depends upon complicated interdependent organizations in which responsibility is shared and where all trust that benefits and sacrifices are borne fairly. But this view is slipping from our grasp -- and especially in the service industries that we have started to discuss today.”*³

It is important to note that these early scholars were not arguing for changes in the social system or for changes in the economic structure of society. They were arguing for goal integration with the community from the perspectives of managerial effectiveness and practical economics. They were saying that those organizations which have the highest likelihood of lasting have their objectives firmly rooted in the efficient satisfaction of the needs of the society. They were against opportunism because they didn't think it would work.

This fundamental concept of community service as a determinant of organizational success is often violated in the real world with poor results for both the firm and the society over the long term. For years, artificial mechanisms have been employed to allow some interests to participate in the economy on a preferential format. On a temporary basis, this opportunism often provides tangible advantages in the form of insulated prices, mandated requirements for services, artificial barriers to effective competition, preferential financing or in some cases, the overt conversion of property. As a result of sustaining their positions on the basis of synthetic advantage, these organizations never develop the skills to serve the community in an effective sense. Ultimately, however, these temporary artificial advantages are overcome. Such forces as deregulation, foreign competition, new technologies, niche marketing or other countervailing forces surface to

neutralize the advantage that is gained without substance. When it finally becomes necessary for the opportunistic firms to provide a truly effective service in order to survive, they are unprepared to do so. Chaos for them and the community is a frequent result.

Some people may suggest the forces of competition will limit the effectiveness of opportunism. In some cases, it does. In other cases, opportunism can provide organizations with a short term advantage. Many of the strategies that are unfolding from government, labor and industry today are largely oblique to the long term needs of the *general society*, as a whole, and are oriented excessively to the satisfaction of unique, rather than communal, interests. Apart from the morality of it, the case is being advanced that these strategies will not be successful in either managerial or economic terms. A wide variety of countervailing forces will combine to bring ultimate correction to those situations where concern for service has not been present. The enterprise as a part of the community is an on-going necessary cornerstone principle of management.

Coincidence of Interest Between Management and Labor

Frederick Taylor identified “intimate and friendly cooperation between the management and the men” as one of his four basic principles of management. His writings are among the most vehement regarding the necessity of strong cooperation between management and labor in the pursuit of their common interests. The following is an excerpt from his 1912 testimony before a special committee of the House of Representatives which was later reprinted later as an essay entitled; “What is Scientific Management”.

“The great revolution that takes place in the mental attitude of the two parties under scientific management is that both sides take their eyes off the division of the surplus as the all-important matter and turn their attention toward increasing the size of the surplus until this surplus becomes so large that it is unnecessary to quarrel over how it shall be divided. They come to see that when they stop pulling against one another, and instead both turn and push shoulder to shoulder in the same direction, the size of the surplus created by their joint efforts is truly outstanding.” ⁵²

The writings of Frederick Taylor are replete with references to the necessity of coincidence of interest between management and labor as a requirement for the attainment of industrial efficiency and the general welfare of society. From the same essay:

“This, gentlemen, is the beginning of a great mental revolution which constitutes the first step toward scientific management. It is along this line of complete change in the mental attitude of both sides; of the substitution of peace for war; the substitution of hearty brotherly cooperation for contention and strife; of both pulling hard in the same direction instead of pulling apart; of replacing suspicious watchfulness with mutual confidence; of becoming friends instead of enemies; it is along this line, I say, that scientific management must be developed.” ⁵²

Also in his 1912 book, THE PRINCIPLES OF SCIENTIFIC MANAGEMENT, Taylor delineated the main elements of his system:

“Science, not rule of thumb.

Harmony, not discord.

Cooperation, not individualism.

Maximum output, in place of restricted output.

The development of each man to his greatest efficiency and prosperity.” ⁵¹

Charles Babbage is most noted for his differential engine but his writings on management were also extensive. His 1832 book entitled, ON THE ECONOMY ON MACHINERY AND MANUFACTURES was an early attempt to bring order to the practice of administration. In this book, Babbage advocates the need for a harmony of interests between workers as a catalyst for the attainment of industrial efficiency. ⁵

Chester Barnard regarded the coincident of interest between management and labor as fundamental to the creation of faith within a cooperative system. His cooperative system involved the free will of the members of the organization, a mutual set of interests between the organization and its members and the structural system within which the willingness to cooperate is maintained. In Barnard's view, explicit provisions need to be made for both the creation and the maintenance of the cooperative system. It was necessary to not only have common interests but also to communicate this commonality of interests to both the formal and informal organizations. Barnard identifies his three functions of the executive as;

1: To provide a system of communication.

2: To promote the securing of essential personal efforts.

3: To formulate and design a purpose for the organization. ⁶

In Barnard's view, it was necessary for management to formulate and define a purpose for the organization in such a manner that the coincidence of interests between the organization and its members is maintained.

Lillian Gilbreth formulated earlier a similar theme in her 1914 book on THE PSYCHOLOGY OF MANAGEMENT.

*"The workers knowledge that the management plans to maintain such conditions..... leads to love or loyalty between the workers and employers. Far from Scientific Management abolishing the old personal and sympathetic relations employers and workers, it gives opportunities for relations as have not existed since the days of the guilds and the old apprenticeship. The cooperation upon which Scientific Management rests does away with the traditional "warfare" between employer and workers that made permanent friendliness almost impossible. Cooperation induces friendliness and loyalty of each member in the organization to all the others."*²³

Mary Parker Follett referred to this process as the integration of goals. Her 1925 paper on "Business as an Integrative Unity" strongly articulated the need for the cointerest of management and labor.¹⁸ She argues against self interest pursued at the expense of goal integration:

*"Capital and Labour must fight or unite. No gentlemanly name for fighting will change the essential nature of the relation between capital and labour where "sides" are sharply defined."*¹⁸

Follett argued strongly for a "collective responsibility for production" between labor and capital and for the mature appreciation of their different functions and of their common interests. Later, in 1927, Ms. Follett presented a paper on "The Psychology of Consent and Participation" wherein she outlined the essential condition to obtaining participation:

*"There are three ways of dealing with difference: domination, compromise and integration. By domination only one side gets what it wants; by compromise neither side gets what it wants; by integration we find a way by which both sides may get what they wish.....We get progress when we find a way that includes the ideas of both or the several parties to the controversy. But this requires hard thinking, inventiveness, ingenuity. We should never think of integration as a foregone conclusion; it is an achievement."*¹⁸

The concept of 'the coincidence of interest between management and labor' is so fundamental and obvious that we tend to neglect it when we talk about management. Yet, it is a necessary condition to the attainment of organizational success.

"The substitution of peace for war; the substitution of hearty brotherly cooperation for contention and strife" Frederick W. Taylor, 1911

Unfortunately, the coincidence of interest between management and labor is not always present when we deal with problems of adversity. It is not a simple concept that operates free of other influences. As several of these writers have pointed out, it is integrated with trust efficiency, community interest, productivity, compensation systems, an engineering approach to the problem and an atmosphere of cooperation. Yet, the relations between management and labor often reflect a spirit of domination or compromise much more than true goal integration. We have factories that are woefully inefficient and terribly out-of-date where management and labor aggressively compete with one another so that each might obtain a greater percentage of a rapidly shrinking pie. It doesn't make any sense, from the standpoint of either management or labor. Management must get its act together and lead the organization toward an orderly and innovative productive system that can truly compete. Labor has to be more cooperative and accept goal integration as a necessary underlying principle. The entire system needs review. Both management and labor need to be more creative. Both management and labor need to work more efficiently, more effectively, more cooperatively and on a broader scale.

Without a coincidence of interest between management and labor, our managerial system, our economy and our society are in jeopardy. The history of Germany provides an excellent commentary on what can happen when labor and management cooperate and and what can happen when they do not.

Integrity of Managers and Workers

Integrity of both managers and workers is also necessary for the managerial system to operate effectively. Chester Barnard was alert to the necessity of integrity and morality in the effective workings of the managerial process. Barnard distinguished between personal and general morality and then went on to point out that the organization will have reactions to the morality that is displayed. Barnard observed that organizations consist of both formal and informal organization elements. He suggested that there as the formal

organization establishes purposes, communicates, and enlists the willingness to serve. **The informal organization serves five important purposes:**

- 1: Establishes attitudes.
- 2: Creates conditions under which formal organizations may rise.
- 3: Communicates.
- 4: Regulates the willingness to serve.
- 5: Maintains the feeling of self respect and independent worth.⁶

Barnard observed that the mere presence of immoral-ity or opportunism is sufficient to retard the effectiveness of the organization, regardless of who is affected. People are inclined to see how other people are treated as an index of how they will be treated. When people witness nefarious behavior at work, the informal organization senses this, communicates it, formulates new attitudes and regulates the willingness to serve. From Barnard's same chapter on "Executive Responsibility", we have the following:

"Now we shall confine our thoughts to the second aspect of leadership -- the more general; the more constant; the subjective; that which reflects the attitudes and ideals of society and its general institutions. It is this aspect of individual superiority in determination, persistence, endurance, courage; that determines the quality of action; which often is most inferred from what is not done, from abstention; which commands respect, reverence. It is the aspect of leadership we commonly imply in the word "responsibility", the quality which gives dependability and determination to human conduct, and foresight and ideality to purpose." ⁶

Philip Selznick commented on the necessity of integrity in his 1957 book, LEADERSHIP IN ADMINISTRATION:

"The integrity of an enterprise goes beyond efficiency, beyond organizational forms and procedures, even beyond group cohesion. Integrity combines organization and policy. It is the unity that emerges when a particular orientation becomes so firmly a part of group life that it colors and directs a whole wide variety of attitudes, decisions, and forms of organization, and does so at many levels of experience. The building of integrity is part of what we have called the "institutional embodiment of purpose" and its protection is a major function of leadership." ⁴⁶

Several members of the scientific management community were particularly impressed with the need for traditional morality on the part of both managers and workers. Traditional values served as a strong founda-

tion for the application of their methods. Honest work and proper moral qualities interact upon one another to produce an improved society on a higher plane. The following excerpt from Gantt's 1908 essay on "Training Workman on Habits of Industry and Cooperation" is indicative:

"Moral Training: The fact that under this system, everybody, high and low, is forced by his coworkers to do his duty, for someone else always suffers when he fails, acts as a strong moral tonic to the community, and many whose ideas of truth and honesty are vague find habits of truth and honesty forced upon them. This is the case with those in high authority as well as those in humble positions, and the man highest in authority finds that he must also conform to laws, if he wishes proper cooperation from those under him." ²¹

Lillian Gilbreth was also interested in the relationship between the moral development of the members of the organization and the attainment of the organization's purpose. She devoted much attention to both moral development and fairness in THE PSYCHOLOGY OF MANAGEMENT:

"The ultimate result of all this physical improvement, mental development and moral development is increased capacity, increased capacity not only for work, but for health, and for life in general."

"Moral development under Scientific Management results from the provisions for cultivating --

- 1: personal responsibility
- 2: responsibility for others
- 3: appreciation of standing
- 4: self control
- 5: "squareness".....

"Squareness." This squareness is exemplified first of all by the attitude of the management. It provides, in every way, that the men are given a "square deal", in that the tasks assigned are of the proper size, and the reward that is given is of the proper dimensions, and is assured. This has already been shown to be exemplified in many characteristics of Scientific Management, and more especially in the inspection and in the disciplining." ²³

James Mooney, an early executive with General Motors, teamed with Alan Riley to develop the functionally similar concept of "fair play":

"The leader must be sensitive to the rights of the led and he must take measures to ensure that they are maintained for every individual throughout the organisation. In other words, he must hug closely to the policy of 'fair play'. To this end, the leaders must begin by playing fair with each other." ³⁹

Fairness on the part of the workers toward the organization was of equal importance to fairness on the part of those in management. The scientific management school was particularly adamant regarding “soldiering” or deliberate slowing of the work pace. Taylor summarized his assessment of it crisply in SHOP MANAGEMENT:

“The natural laziness of men is serious, but by far the greatest evil from which both workmen and employers are suffering is the systematic soldiering which is almost universal under all of the ordinary schemes of management and results from a careful study on the part of the workmen of what they think will promote their best interests.” ⁵⁰

Often, we have treated the concepts of business ethics and moral integrity as ancillary characteristics apart from the more direct process of management. They are seen as nice qualities to have but they really don't have anything to do with making money. Instead, they are occasionally seen as getting in the way of it. Sheldon, Barnard, Gilbreth and others saw the role of integrity as much more fundamental to the process of making money. They saw integrity as having a direct effect on the smooth and effective workings of organizations. With this interest in integrity, they became more interested in promoting it and teaching it as an integral part of the managerial process.

The interconnections between integrity, morality and ethics and organizational success have not received much discussion in the academic world recently and only some in the business world. One of the main propositions advanced in the managerial classics is that traditional morality and integrity are qualities that are basic to the process of organizational success. The proposition suggests that, in the long run, honest people will be more successful than dishonest people. Sober people will be more successful than those who show little personal restraint. Hard work is as important as skill. Morality must be taught and reinforced. Management should do the teaching. Integrity is necessary to enlist the commitment of the informal organization.

Value Systems and Organizational Culture

Successful companies create, nurture and reinforce unique cultures that emanate from overtly formulated value systems that are partially embodied in the organizations' reasons for existence. Successful companies have strong philosophy systems and weaker sys-

tems for bracketing behavior ⁴². The articulation of these philosophies, values and purposes is on-going and an activity of managers of all ranks. Actions of the companies unfold in ways that are consistent with these philosophies and value systems. Explicit operating dogma is less common but the value systems, philosophies and purposes remain steadfastly reinforced and broadly articulated.

Harrington Emerson was interested in value systems and the first of his TWELVE PRINCIPLES OF EFFICIENCY, written in 1912, was “Clearly Defined Ideals”:

“As to definite ideals, we could profit from by-gone ages, although substituting other inspirations. over one of the Greek temples, the words are carved, “Know Thyself”, for which we could substitute, “Know the Spirit Rather than the Externals of Your Business.” ¹²

Chester Barnard specified that the three functions of the executive were:

1: Provide a system of communication.

2: Maintain a willingness to cooperate.

3: Ensure the continuing integrity of the organization's purpose. ⁶

Philip Selznick's 1957 book, LEADERSHIP IN ADMINISTRATION, is heavily oriented to the role of values and culture in the effectiveness of organizations. The following quotes provide some indication of Selznick's perspective regarding the relationship between means and ends:

“The tendency to emphasize methods rather than goals is an important source of disorientation in all organizations. It has the stimulating full development of these methods, but it risks loss of adaptability and sometimes results in a radical substitution of means for ends. Leaders may feel more secure when they emphasize the exploitation of technical potentialities, but the difficult task of defining goals and adapting methods to the may be unfulfilled.” ⁴⁶

Selznick argues that values become inculcated in organizations and become institutionalized thus providing an atmosphere of guidance to the organization members.

“In what is perhaps its most significant meaning, “to institutionalize” is to infuse with value beyond the technical requirements of the task at hand.” ⁴⁶

“From the standpoint of social systems rather than persons, organization's become infused with value as they come to symbolize the community's aspirations, its sense of identity.”

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This institutionalization of values changes the relationship between the organization and its members.

“From the standpoint of a committed person, the organization is changed from an expendable tool into a valued source of personal satisfaction” 46

Meaning is thus provided to those associated.

“Both personal and social commitments combine to weaken the purely technical significance of organizations. Beginning as a tool, the organization derives added meaning from the psychological and social functions it performs. In doing so, it becomes valued for itself.....Organizations do not so much create values as embody them. As this occurs, the organization becomes increasingly institutionalized.” 46

Members have to make sense out of what they are doing. They have to feel that their efforts are integrated into a noble purpose. Both ends and means are important. The caliber of the goals are important. The legitimacy of the means employed is crucial. There is latent idealism among all of us. During times of stress, this latent idealism becomes more powerful and influential. It is difficult to attain organization objectives without integration with the underlying value systems of the organization members. Management must help the organization formulate and institutionalize its value system. Management must also provide for critique. Once the organization's values have become institutionalized, the need for the constant presence of management in every detail of the organization is reduced.

MANAGEMENT AS A COMPLEX SYSTEM

As the introductory quotation from Philip Selznick points out, there are few simple prescriptions for sound organizational leadership. There are no simple gadgets. Management is the integration of human affairs with the public interest and the social order. Management is inescapably a value-based activity. Professors Trist 57, Emery 13, Ackoff 2 and others have studied the enormous number of fragile interrelationships that exist in complex social systems. Instabilities and turbulence can result even when solutions to the or-

ganization's most pressing problems are attempted. Russell Ackoff describes this complexity in REDESIGNING THE FUTURE:

“We have also come to realize that no problem exists in complete isolation. Every problem interacts with every other problem and is therefore part of a set of interrelated problems a system of problems.... Furthermore, solutions to most problems produce other problems;.....a financial problem, a maintenance problem, and conflict among family members for its use.” 1

In management, there is seldom one big knob to turn. Every action influences every other action. Managers have to remain attentive to the surrounding atmosphere they are creating. Qualities such as integrity, goal integration and the ability to perceive a noble purpose favorably influence the atmosphere within which the complex system of management functions.

The present atmosphere surrounding our managerial activities is often far from ideal. Mistrust pervades and often for good reason. Integrity is undervalued as an essential element of the organizational system. Individuals too often pursue only their own objectives with insufficient regard for the community in which we all operate. . Whereas these nefarious activities may appear to be “rational” behavior, these are having the aggregate effect of eroding the competitive edge of our country and our effectiveness as a world economic power. We can do much better.

Summary and Recommendations

Over a long period of time, many scholars and thoughtful practitioners have provided us with valuable insights into the process of management. Several key cornerstone principle of managements, along with some additional lessons have practical application to our problems of today:

- 1: The primary role of management is the task of **systematically improving the effectiveness of the organization in implementing its current mission.** The authors of the management classics were less interested in whether or not the business was in a low or high profit industry or whether the market served was growing rapidly or slowly. The task of the manager was to improve the efficiency and effectiveness of what was there. The strategic options to exit from the industry or to take on new businesses received little attention.

- 2: The enterprise must derive its fundamental being from its participation as an **integral part of the community** in a way that involves the supply of needed goods and services of high quality at a fair price.
- 3: The interests of the **organization and its workers must be coincident**. This coincidence of interests is necessary condition to organizational progress. One task of management is to structure the situation so this coincidence of interests is understood and active.
- 4: **Integrity and traditional morality form the basis for the workings of the managerial system**. In order for the organization to function properly, it must be based on a system of integrity on the part of both managers and workers. When there is a departure from these basic qualities in favor of opportunism and unbridled self interest, the aggregate result is a weakened and ineffective managerial system and a poor competitive position.
- 5: **Value systems form the basis of organization cooperation and commitment**. These value systems need not only to be established, they need to be communicated and reinforced by managers who understand the deeper philosophical meanings of the organization.
- 6: The key to the satisfaction of the interests of the workers, the community and the organization rests primarily with the ability of the managers to **improve the efficiency and effectiveness of their present organizations**. That is a key skill that is crucial to long term economic survival. The proposition to make a massive transition to a new set of industries while forsaking our basic industries is impractical on any substantial scale and destined for a new set of problems we are likely to be even less prepared to meet.
- 7: We have to **view management as a system activity**. As such, we must attend to the task of creating an atmosphere supportive of the attainment of the noble purpose. To do this, management must emphasize and display integrity and goal integration with both the community and the organization members.
- 8: We have to employ **more encompassing criteria to evaluate our business activities**. We need a **longer range perspective which in-**

cludes an understanding of how specific industrial activities relate the economy as a whole. Input--output analysis is required. Profits and economic performance are essential to an orderly society in the long run. Our value systems should guide us as to what those profits should be in. Race tracks and shoe factories are not of equal benefit to the long term economy, independent of the amount of revenue they each generate. We cannot evaluate our essential economic activities against simple criteria. The number of interrelationships is too great. We have to understand how each economic activity fits into our overall economic and social system.

9. Given the complexity of modern organizational systems, **there is little reason to adhere blindly to the assumption that rationality on the part of individuals automatically lead to optimal solutions**. The assumption of rationality presumes the availability of information and the ability to process information which may be far beyond the scope of organizational members including the management. In the absence of complete information and reliable information processing, the invisible hand will produce randomness. Several authors of classic manuscripts in the field of management saw the necessity of a proper value foundation as an ingredient to sound economics. Fortunately, this spirit of responsibility is still alive today in many well run companies that persist in the honest attainment of their community based objectives.

As the United States struggles with the transition to a world economy during a time of economic difficulty, these cornerstone principles described above should be kept in mind. We cannot discard everything. We have to make what we have work. And, we have to foster an atmosphere where the interests of the workers, the organization and the community are seen as more congruent.

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