

### Three Models of Management Responsibility

The responsibility of management exists within business and in the society of which it is part. Our task today is not to deal with responsibilities for internal management but rather to define the outer areas of responsibility.

No one should doubt that this outer sphere exists. It cannot be wished out of existence. It affects internal as well as external business operations. And the manager of the future will be judged by how bravely and competently he operates in the area of the social instrumentation of business.

Whether in finance, planning, directing or distributing, and technology, the manager is indispensable to the modern world. But his functions are not yet fully recognized. In communist countries, there is one role, an undesirable role, for the manager. In many of our countries, both rich and poor, there is a second, also undesirable role, for the manager is often burdened with an underdeveloped conception of responsibility. A third role is shaping up now in the free world. Here the manager is broadening his functions to become a leading factor in a new kind of free socialism.

I wish to refer you to this new role but it is essential that we pause, even if momentarily, on the handicaps that surround him when he is part of a communist apparatus or segregated in a managerial Casbah.

#### I. The Communist Model

Under the communist system there can only be one role for the manager. He is the servant of the Communist Party. His decisions as manager are dictated by central party considerations. He is forever being promised autonomy and decentralization, but he never gets them. Every now and then, new methods of management are recommended. These turn out to be methods already employed

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for some time in the United States, such as suggestion boxes, and the use of personnel psychologists. The allocation of capital to individual industries and of production quotas are very often received with passive resignation or subject to bitter political struggles within the party and industry hierarchy. The losing managers cannot easily resign, which should be the treasured privilege of every responsible manager, or seek capital and markets from other sources. Under the circumstances, the lot of the manager is not comfortable. Promotion is not slow; pay is high; special privileges are possessed. But the spirit of work, of enterprise, is low; morale is significantly lower than in Western Europe or America.

Yet the Soviet Union is well-developed industrially. What is the role of managers in the new communist countries? This is hard to say because the managerial class which, after all, is partially composed of owners, is one of the first to suffer from the denunciations, persecutions, and purges. The managers form always a considerable proportion of the unhappy refugees of communism, whether from Poland, Korea, North Viet Nam or Cuba.

It is important that this point be fully appreciated, because there are some writers and managers who erroneously believe that communist rule will only make the need for managers more urgent. This is only true in the sense that the old managers are driven out and the new managers are in short supply because their responsibilities are badly defined and subject to contradiction and abuse.

## II. The Casbah Model

The second model of managerial responsibility in modern society is understandably popular. I hope therefore that I will not offend anybody if I call it the Casbah Model. Too many managers live in an economic

Casbah. They live their lives in the idea that what happens outside their business is of no concern to the business. They believe they are getting along best when the management and ownership of the means of production are put off into a corner and labelled "private." They let the press, the schools, and the political parties persuade them as well as the public that only service to the State is true public responsibility. They go along with policies imposed on them by weak-willed, ignorant, or hostile power factions. They play "black bag" politics; this too is the Casbah way: they buy their rights daily like they buy their daily bread. The managers and owners persuade themselves that they might lose their positions and their prestige if they concern themselves with political affairs. This happens because they understand only the narrowest definition of politics: politics is what politicians do, they believe, instead of realizing that politics is correctly understood as the care of the interests of the community.

The Casbah manager scorns the idea that he is a Marxist. But he is an ultra-Marxist. The Marxists believe that the economic structure determines the nature of government and culture. Thus they give at least an important role, though it is the devil's role, to the managers and owners. The Casbah economic determinism of so many managers and owners limits them even more stringently to only the economic policies of their company. Then they retreat to a concern only with business in the strictest economic sense. They abandon the vital institutions of the schools, the welfare agencies, the church, the planning of communities, and much else. These are, they say, not their business.

But it is of direct concern to management

- when the welfare agencies become state instruments for mobilizing the masses against property and productivity;
- when the churches are no longer strong enough to dispense ideas of charity, fraternity, and good tradition;

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- when the schools do not discipline the young for work;
- when the cities become swollen, disfigured, and unlivable centers in the hands of unhappy and rebellious crowds.

The Casbah model of management is a worse weakness than the communist model, because we must change ourselves to get rid of it. Self-change is harder than self-defense. Still, if we wish to stop the process by which the managers and owners of our time are being progressively stripped of the means of defending their freedom, we must make practical suggestions for reform. This is what I am going to call here by the name of "Free socialism".

### III. Free Socialism

Socialism is a powerful idea which has fallen into the wrong hands. The ancient and fundamental premise of socialism is that the means of production in a society must be deliberately used for the public good. This idea has much more in common with the beliefs of the medieval Catholic Church than it does with the beliefs of the laissez-faire economists. The laissez-faire economists and their popularizers often have believed that neither good-will nor collective deliberation were needed to produce the public good. They felt that somehow every selfish act would have to add up to the public good. But while their ideas proved an effective instrument against the weak regimes of the eighteenth and nineteenth century, they could not contend against the fierce partisanship of twentieth century communism and its fascist reactions. Today we must offer a new order of business responsibility to the world.

We must assert and can demonstrate, that the whole system of free managerial enterprise is the only true socialism in its original sense. That is, free socialism is the only socialism that works. Only under the free socialism of cooperative free enterprise can the best men find their way voluntarily and enthusiastically to the top policy posts of society. Only under such free

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socialism can work maintain its truly human, creative, and enjoyable character.

Whereas the Casbah model of management responsibility lets society go to the dogs, the communist and the socialistic State interferes almost constantly in education, the arts, recreation, and business. By contrast, free socialism permits freedom to other areas of society and culture. The arts, the schools, the churches, much of welfare, and recreation are nourished and fed voluntarily through a hundred channels instead of one.

Only with enormous political turmoil or else in profound apathy, does the old socialism make capital investment decisions, fix prices, and control managerial decisions. Every voluntary aspect of life is reduced in significance, and taxes are raised high. To what end?-- All to the end of keeping a great many ordinary and decent citizens from dividing up a penny or two of profit after --and only after--providing other people with a dollar of goods and services that they want.

There is almost no state initiative or operation that cannot be translated into a free enterprise, that is, a free socialist operation.

The laissez-faire economists were right in a very important way when they urged the restriction of government operations. They were wrong in believing that the cooperative programs of free enterprisers were unnecessary. The Cooperative Action of free enterprisers can produce a far better order of social responsibility than is presently to be found or previously known.

In the Alliance for Progress, for example, it is vital that the North and South American government officials agree to shelter voluntary action and promote free socialism. But they must not engage in any operation that can be handled by cooperating or individual enterprisers. Most importantly, managers and businessmen must show that they are ready to take up these responsibilities. They must put their reputations and fortunes on the line as did the businessmen revolutionaries of 1776. They must say to

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government officials: Give us safe convoy, and we will initiate and conduct the operations. And in the end you government officials will have less anxieties, have a more prosperous people, and collect more revenues for fewer functions.

The planning, foresight, and cooperation that this commitment demands of management are not light burdens, but neither are they mysterious or unbearable. The important principle to appreciate is that this responsibility is vocational. It is part of being a businessman, manager, and owner. It is not avocational, extra-curricular, the thing to do after every other task is done (something that never happens anyhow). It is the regular, built-in responsibility of the job.

If necessary, certain traditional responsibilities of management have to be delegated to others, in order to provide time and energy for the new tasks of long-range social planning, cooperating, organizing, and negotiating for the intangible accounts of business.

There is a need, in fact, for a new system of book-keeping for business. One cannot imagine a more misleading item on the balance sheets of business than \$1 for good will. Many thousands of business students have been deluded by this "\$1" and closed their Casbah door on the future growth and profits of their business. Means should be found to incorporate and make tangible the social intangibles of correct government policies; international peace and stability; of social defenses against confiscation, ruinous taxes, and insufferable controls. It is management's new responsibility too, to educate his company's stockholders to the need for a somewhat different allocation of resources. They can be made to know that many a North and South American business carries an invisible debit item on its accounts with the words "1965 to 1970, unbearable tax burdens"; "1963-1972, impossible controls"; "1975, confiscation." Under such conditions, a small item on the books for charity is not enough. There should be a new cast to the entire operation, an investment deliberately and carefully planned, in cooperation with most other

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businesses, for community and national development, for education, and for needed creative research and development.

These are the kinds of items that the businessman and the manager under free socialism will watch on his books. He will not work harder--if only because he works too hard already. But he will work more effectively and efficiently, and in the end his work will show a bigger return. In any event, we cannot wait for the laggards--whether they are unbelievers or timid or selfishly shrewd. For every dead here, there is a live coward. That we must admit. But for every dead hero there is also a monument in script, in stone, and in living beneficiaries.

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