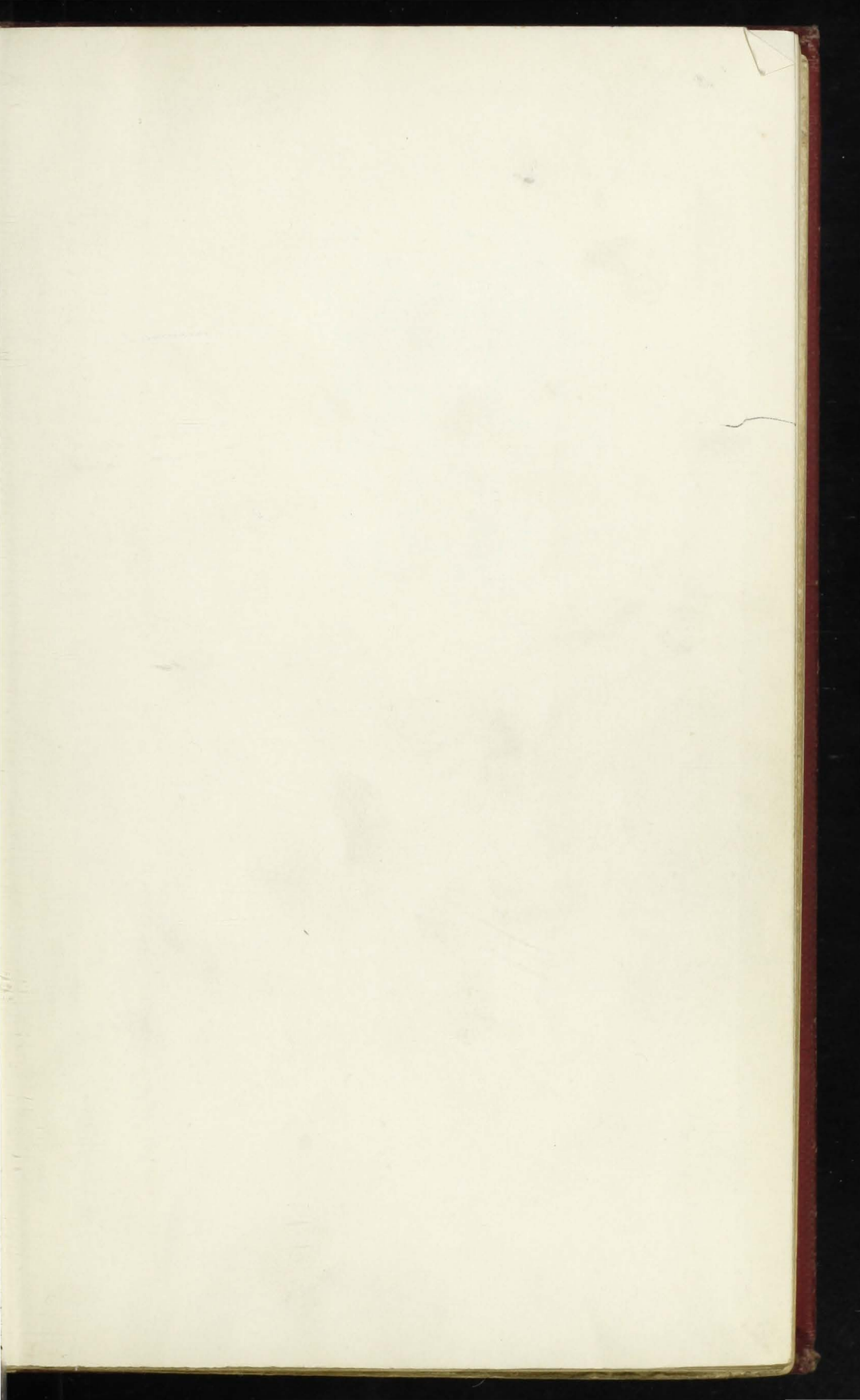


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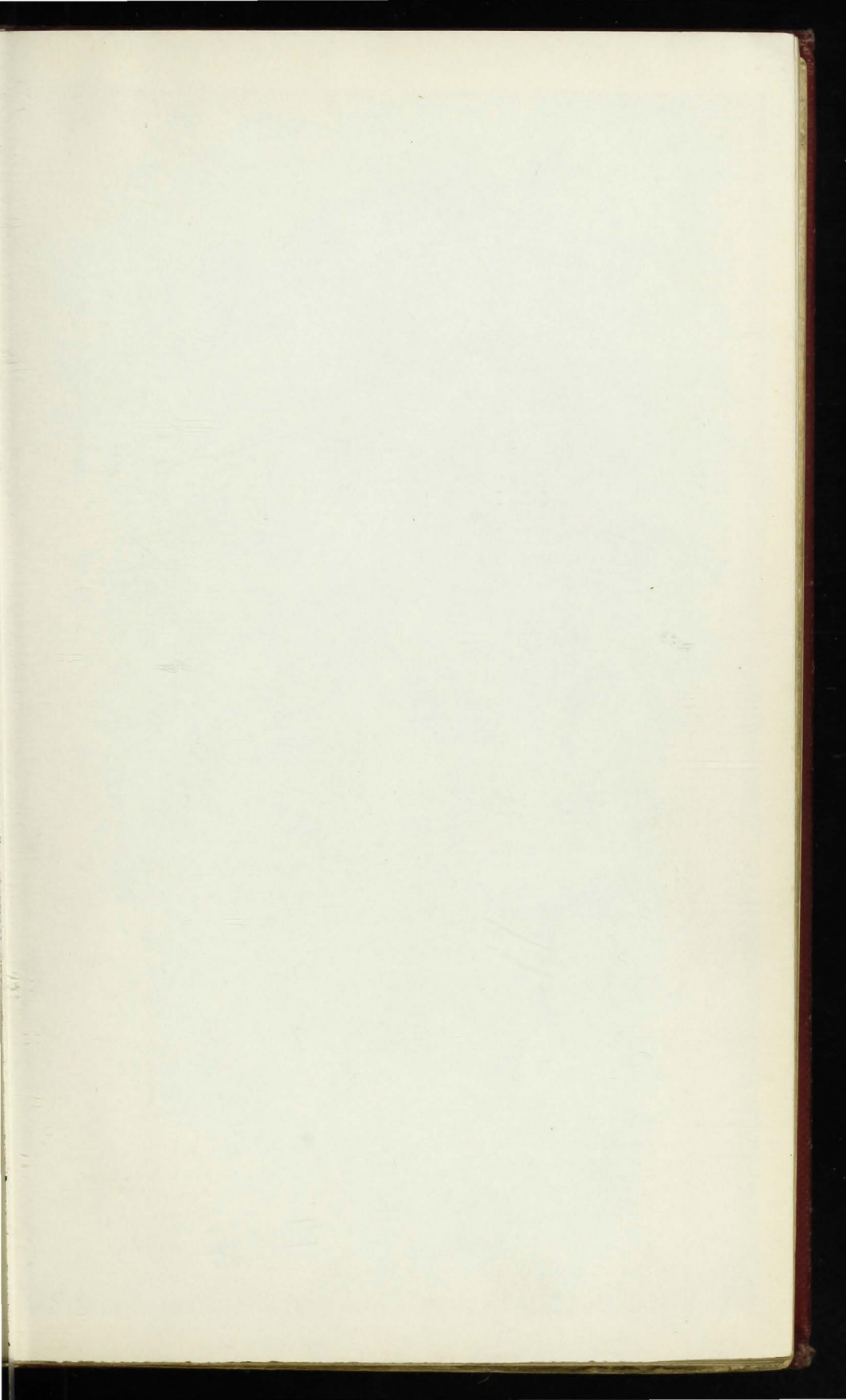


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# **Socialists and Managers**

**A FABIAN GROUP**

**THREE SHILLINGS**

This pamphlet has been written by a group of Fabians who are, or have been, managers, or are researchers into management problems. The views expressed in it are the result of discussions which have taken place over two years, and have received general agreement. No individual member of the group, however, necessarily accepts all the conclusions in the pamphlet.

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FABIAN TRACT 351

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The Society is grateful to the Sara Hall Trust for making this study possible, believing that it is in accord with the principles of Robert Owen.

THE FABIAN SOCIETY,  
11 Dartmouth Street, S.W.1

*Note.—This pamphlet, like all publications of the FABIAN SOCIETY, represents not the collective view of the Society but only the view of the individuals who prepared it. The responsibility of the Society is limited to approving the publications which it issues as worthy of consideration within the Labour Movement.*

December, 1963.





## I. Introduction

THIS pamphlet has been prepared by a small group of Fabians who are interested in management. Some of us are, or have been, managers, some are involved in the study of management, some have brought other experience to the group. We are all deeply concerned that the problems of management in modern society have received insufficient attention from Socialists—and that many serious misunderstandings still persist, both inside and outside the Labour Movement, on what the relationship between a Labour Government and management should be. Many managers are deeply suspicious of the Labour Party; many Labour supporters are, or appear to be, profoundly “anti-management”. Both, in our view, are wrong.

In the broadest sense, a manager is anybody who controls other people, whether in public service, business or any other activity. In this pamphlet we are concerned with management in industry and commerce in the narrower and more conventional sense. We have concentrated almost completely on management in the *private sector* of industry and commerce. This is not through lack of interest in management problems under public ownership which are, or should be, of enormous importance to Socialists; and some at least of our conclusions apply to the public sector. However, the responsibilities and problems of management in the private sector have received less attention in the Labour Party, and these should now be looked at from a democratic Socialist point of view.

The phrase “manager in the private sector” embraces a bewildering variety of people and functions. According to one’s point of view it conjures up visions of a plant manager in the factory, or of a director in the City. Management patterns and attitudes and performances vary strikingly from industry to industry, from firm to firm. The atmosphere naturally changes from shipyards to refineries, and from shops to assembly lines, from foreman’s office to boardroom, from the “growth” industries to the traditional ones, from the slothful to the go-ahead. The number of levels in management is large, too—from shop-floor supervisor to chief executive—and if all types of company in the private sector are taken into account—from the small shop to I.C.I.—the range of managerial authority varies most of all.

Yet this great variety does not forbid some valid generalisations being made provided they are suitably qualified. Nor does it alter the fact that private managements are often subjected to the same pressures over a wide

front, nor that they must all, to a greater or lesser degree, work inside a social and commercial framework which, in many respects, is vastly different from what it was in Britain twenty or thirty years ago. The tendency towards oligopoly and larger units; the frequent divorce between ownership and control (involving more power for management, and less for shareholders); the vastly increased power of organised labour under full employment; above all, the growing "professionalisation" of management—these developments have all been fully described elsewhere, and should need no repetition here.

Despite this "managerial revolution" with its many excellent consequences, it is still unfortunately true that large parts of British management are nowhere near as efficient as they ought to be. The gap between the best and the worst in British management is staggeringly wide. It is in the interests of all the nation to reduce this gap by raising the average standard of management.

To achieve this, one obvious need is to breathe new life and dynamism into the economy as a whole. Managers need assurance that the economy is expanding and that the Government puts growth as first priority. In such an atmosphere, good managements will give of their best and, if the dynamic is strong enough, poor managements will be forced to improve themselves or to abdicate.

This pamphlet is not concerned with the general economic issues involved in a policy of growth, although we believe only a Labour Government can solve them. Nor is it concerned with the details of Labour policy in "Signposts for the Sixties". But Socialists have to face the firm reality of a very large private sector still accounting for much of our investment and production, for much the greater part of exports, and for the employment of the large bulk of the working population in this country. This sector *must* be efficient and responsible. The Labour Party should now state much more clearly than it has done so far precisely what should be expected of the managers in private industry and how a Labour Government would help them to achieve it.

On their side, too, managers must accept an equally obvious reality. The return of a Labour Government will signify that the country wants a Government of planning, social justice and radical change. In fact, we suggest that management can itself flourish best in a society devoted to these aims. Sustained economic growth, a fair and sensible incomes policy, and a vastly increased emphasis on education, for example, are all likely to appeal to the younger managers to whom the country will look for the future direction of its industry.

Some observers would say that it is ingenuous folly to expect that any managers would find a Labour Government appealing. Management, they would assert, is essentially hostile to Labour's principles and methods. This sort of comment presupposes a "management attitude" towards politics. Certainly, some Tories do adopt this Marxist precept. But those who believe that man is a thinking being capable of viewing the wider interests of the nation, can hardly take it that any and every manager is automatically anti-



Labour and, as such, predisposed to hostility and non co-operation.

It is doubtful if there is a "management attitude" in politics—at any rate, outside the City. A whole complex of facts, experiences and emotions determine a man's political attitudes and being a manager is only one of these. However, one factor will obviously bulk large; how the next Labour Government deals with management and managers must have some effect on their attitude to it. By this, we mean how Labour treats managers as managers, not as citizens. If a Labour Government were to attempt an impossibly detailed intervention in the economic life of the country; if controls, licences and allocations of a war-time intensity were tried; if politicians and civil servants were trying to make the decisions management should make—then a "management attitude" would rapidly and rightly appear. But if government and administration were doing those things that were rightly theirs (and their sphere is indicated in this pamphlet) and the economy was growing while social justice prevailed—then, fears of management hostility and non-co-operation would be unfounded.

Finally, the whole subject of management cannot be covered in depth in a paper of this kind. Much of it is based on work which has been done elsewhere; and few of the conclusions, taken on their own, are startlingly new. On the other hand, to look at the whole field from a Labour Party point of view, however briefly, is essential to both the Labour Party and to managers.

## 2. The Manager - Motives, Pressures and Rewards

MANAGEMENT theory has been concerned with studies of organisation structure, questions of responsibility and authority and the mechanics of running a business. There is little material on the managers' relationships within an organisation, how behaviour is affected by position on the executive ladder, by the nature of the business, and by company politics. The manager is most unlikely to have stopped to consider why he behaves as he does.

The main theme of this paper is that more should be demanded of the manager. His efficiency, his relations with employees, his responsibility to the community, are all critically considered below—and in all these fields fairly rigorous standards suggested. In many ways, we favour a tougher and more competitive world for the manager to work in. This being so, it is only fair at the outset to appeal for a more sympathetic attitude towards his problems and difficulties; for greater clarity about his rewards; and for greater realism about his personal motives. Only when these are taken into account, is it reasonable to increase all the outside pressures on management in the private sector which society is entitled, indeed compelled, to apply.



### Stress on the Manager

As suggested above, the manager's job varies enormously—and its varieties have been fully and interestingly described elsewhere. Nonetheless there are certain common characteristics. The manager must, for example, induce his subordinates to make more of an effort than may appear "natural" to them, must often, indeed, hold them in an uncongenial environment. He must cope with a degree of irrationality and sheer confusion never mentioned in the management textbooks. He must impose order on all the elements—people, finance, materials—entrusted to his care. These are features of any position of leadership. In private industry the manager has to work under certain stresses and strains peculiar to it and it is vital to understand what these are.

First, there is frequent *insecurity*. It is true that in some of private industry the dangers of risk and competition have largely ceased to apply. Bankruptcies are much rarer, collusion not infrequent, habits of "live and let live" strongly entrenched. Yet there are strong elements of personal risk in the hundreds of thousands of small private companies, usually owned and managed by a few people. Even in the larger company, where the managerial revolution is far advanced, managers often work to narrow margins, face organisational stresses and frustrations, and, above all, enjoy less security of employment than most other occupations in society. Some of the very largest companies have developed a soft, smooth security—described in such books as William Whyte's "Organisation Man". Yet the atmosphere in most of business is still vitally different from that in, say, the Civil Service (and, needless to say, this is not to make any moral judgments as to which is better or more enjoyable). It is quite possible for a middle-aged salesman or for some junior or middle management casualty of re-trenchment or take-over, to find himself out of a job without the warm glow of the "golden handshake" reserved for the top, or, indeed, the relative ease of finding other employment experienced by some on the shop floor. The manager's skill and special position are not easily interchangeable, especially when he has reached middle life. Moreover, if all the proposals in this pamphlet were adopted, many elements of risk and stress in the manager's life would increase, and not diminish. If large parts of the private sector are drastically reorganised, a good deal of managerial strain is bound to result.

A second and more subtle source of stress must be added—the frequent *conflict of social pressures*, both inside and outside the business, to which private managements are now subjected. These include pressures from employees and from trade unions, often of a different kind; the frequent conflict between human sympathy and the more austere demands of efficiency; and the perpetual conflict between the interests of shareholders, employees, the community, and the needs of the business as the manager himself sees them. True, the social pressures are usually absent in the specialist "back room". True again, they are most strongly concentrated at top management level, where Government and public opinion frequently press in as well. Nonetheless private management at all levels has its own brand of moral and social dilemmas, often acute and often arising because



its role in our mixed economy has not yet been clearly resolved. We believe this role should be resolved and defined.

This is not to weep tears of sympathy for managers hagridden by worry and plagued by occupational ulcers, since most managers take these and other strains in their stride. Nor is it to deny that resolving conflicts is, in fact, the very stuff of modern management—some would say its main challenge and excitement. The manager can himself help to control the problem—by studying what is known about behaviour under stress and by keeping up with fast developing management techniques, thus reducing the area in which rule of thumb applies; on many of these, suggestions are made below. Our main point is this; society has a responsibility to managers while free to criticise them where necessary. In setting them higher standards, politicians and those outside industry should realise what they are doing in human terms—and plan for the human consequences.

### Financial Rewards

This brings us to the uncharted territory of managerial salaries and other rewards. It is often alleged that the present structure and level of taxation in Britain acts as a disincentive to the professional middle class in general, and to managerial groups in particular. This argument was presented as the main reason for the surtax relief in 1961. If it were true it would be extremely serious, but is it really true?

In fact, there is an almost complete lack of evidence on the point. The Royal Commission on Taxation concluded that high taxation would not influence the vigour with which a man pursued his ordinary calling, though it might make him "disinclined to take on a casual engagement or something out of his usual course". To believe otherwise is to over-simplify managerial attitudes. As suggested above, managers, like other people, are affected by all kinds of incentives and disincentives besides purely financial ones. Consider, for example, the varying parts played by the sense of craftsmanship in the job; by a pride in the prestige of the firm; by the urge to create, by the inner needs for advancement, responsibility or personal power.

It seems most unlikely that a manager's performance, and his desire to get ahead, are influenced in any really fundamental way by the amount of taxation he bears. To believe that they are is a new version of the old fallacy of "Economic Man".

Yet it can scarcely be denied that the whole question of managerial rewards is exceedingly complex. During the last few years relative differences in remuneration have widened once more. Managerial fringe benefits, usually of a tax-avoiding kind, have proliferated. The gap between managerial rewards in the private sector and those of public servants has greatly widened.

Given a large private sector, and a continuing shortage of certain types of management skill, *we accept that high rewards for top managers are inevitable* in our society. High levels of skill are bound to attract high rewards. To define "high rewards" would be foolish in so confused a situation as this. Suffice it to say that fairly big differences in earned income,



provided they *are* earned, must be accepted as a fact of current life; and most Socialists would agree that the greatest social evils lie elsewhere—in *unearned* incomes and *inherited* wealth, in unmitigated speculation, especially in land; and in the educational differences and social barriers which still mar and disfigure our society.

However, certain conditions should apply:—

1. It is hard to justify lavish status symbols and needless luxury for senior employees—about which more will be said later. A Labour Chancellor ought to deal severely with the abuse of expenses, “top hat pension schemes”, educational benefits for senior executives’ children, and other paraphernalia of social privilege and tax avoidance. If these practices are made more difficult, differences in reward will tend to be expressed in terms of salaries alone, and this would be a clearer and healthier situation.

2. Related to this, there should be much less secrecy and mystery about the salaries paid to top management, and especially to directors.

3. Any policy for relating incomes to economic expansion should apply to managerial as well as other incomes, though we are not so foolhardy as to suggest here how this might be done.

### Objectives

It is most important of all to clarify what are, or should be, the main objectives of private managers in society. We reject completely the notion that the manager has no motives other than profits and money since this is manifestly untrue. The opposite idea—that he can be induced to do something simply because it is patriotic, regardless of his company’s interest—is equally unrealistic. Certainly, over recent years the manager’s loyalties and interests have shifted in much of private industry; shareholders generally count for less than they used to, social considerations often count for rather more; the power and prestige and profitability of his firm, and his own progress involved with these things, usually count most of all. But this still leaves frequent conflicts between the interests of private managements and those of society—where clearly the interests of society must come first.

We believe that by far the clearest and most logical thing is to accept that the manager should concentrate on efficient management. Duties to employees and to the community are also important, and are frequently linked with efficiency, but *for the manager* the efficient growth and expansion of his firm should come first. This target is complex and challenging enough as it is. If, then, Government want management to do certain things or not to do certain others, it is up to Government to intervene, either by a direct control or preferably by making it more profitable for the manager to do the right thing, less profitable for him to do the wrong one. (We shall have more to say about “profits” below.)

In other words we reject the idea that you can or should persuade top managers to do certain things simply by appealing to their better natures or patriotism, or whatever it may be. This is not because managers are any less patriotic than other groups. Indeed it would be a mistake to confuse



the City attitudes unearthed by the Bank Rate Tribunal with the very different world of manufacturing industry in this country. And in a moment of real national crisis most top managements in British industry *would* respond. However, in most situations it is unwise to rely on their public spirit alone—far better to appeal to their enlightened self-interest. Above all, it is unrealistic, confusing, and even presumptuous, to expect management to balance social priorities and to determine public interest—which are for *Government*, representing the whole community, and not for boardrooms, however progressive, to decide.

### 3. Efficiency

**B**RTAIN is a country dependent upon the quickly changing structure of world trade; thus, efficient use of our productive resources is the key to the faster economic growth we need to raise our standard of living, to expand the social services and to fulfil our obligations to the poorer nations of the world. It is needful that industry makes the best use of the country's resources of capital, labour and technology. As previously stated, it is management's first requirement to be efficient.

#### Competition

The economic stagnation which has characterised this country over the past decade has been due mainly to Government failure to provide the conditions necessary for industrial expansion. But also, too much of industry is in the hands of timid, restrictive, complacent and unprofessional managements who fight shy of innovation and technological pioneering, or who rely on traditional markets to provide safe profits. These managements must share the blame for Britain's decline as a manufacturing and exporting nation.

Since a Labour Government would offer industry an economy planned to achieve a high rate of growth, we believe that it should compel industry to cut down limitations on competition. There may be some exceptions, but by and large competition improves efficiency.

Some steps have already been taken in this direction. Labour's Monopolies and Restrictive Practices (Enquiry and Control) Act of 1948 and the Conservatives' Restrictive Trade Practices Act, 1956, were a start. Information resulting from these measures has shown that agreements to reduce competition are common throughout British industry. It is useful that such agreements are brought to light, but the present Acts are too easily circumvented by business, or ignored by the Government, to create competition. It is suggested at the end of this pamphlet that the only way to ensure free competition is to strengthen the existing restrictive practices laws and to enact entirely new legislation to deal with mergers and monopolies.

One of the attractions of the British application to join the European Economic Community was that it would have broken down the protective barriers that surround our industry. To that extent the application was welcome, although the decision for or against entry should be determined



on wider issues. For the time being, the EEC is not relevant to *improving* efficiency (although very relevant to the *need* for improvement). The issue of membership of EEC will surely arise again and it should be noted that the regulations of the European Economic Community governing restrictive practices and monopolies as they affect inter-state commerce, provided they are vigorously interpreted, are more rigorous than similar regulations in Britain at the present time. We hold the American view that anything which restrains competition is harmful, rather than the British-E.E.C. view that requires the judiciary to decide whether or not a particular concentration of power or collusion is contrary to the public interest. Were Britain a member of EEC under a Labour Government, it would be more necessary than ever that the restrictive practices agency of the Brussels Commission should become a powerful administrative and investigating body. The EEC regulations would have to be made more precise on the question of single firm monopolies and on mergers and be supplemented by the regulations relating to trade within Britain which are suggested in the section on "Sanctions".

#### **How to Measure Efficiency . . .**

Having said that management's first duty is efficiency, we should, perhaps, explain how we measure it. Our general approach is that a Labour Government should draw up a set of rules to ensure that there is competition throughout private industry and should create new regulatory agencies and strengthen existing ones to see that trading is fair and unrestricted. In these circumstances, to be inefficient will be to be unprofitable. Thus, the manager of a private enterprise (including for this purpose the owner of the enterprise) will be asked to accept some, and obliged to accept certain other, obligations to the community in general and to his employees in particular, and within that framework he will be expected to organise his men and materials so as to achieve a steady increase in profits through the years, and this will be his first duty to the community. The "good" manager will be the one who achieves this goal. This is not to approve of every kind of profit making, nor is it to condone the present pattern of profit distribution but, provided the competitive and social framework is right, then profitability is a valid criterion of efficiency.

#### **. . . and How the Manager Achieves It**

The manager will be more likely to achieve this goal if he is skilled in the techniques of management. These techniques cannot be enforced save by the realisation that they work and are profitable. Although this pamphlet is not a handbook on management, some of these techniques must be mentioned:

(a) *The development of managerial talent* is a priority for all firms wishing to be efficient. Managerial talent is a crucial national resource in very short supply; its waste is inexcusable. Obviously, the community at large should so frame its educational system that able children have the chance to develop their talents and launch into a satisfying career. This is not the place to discuss education policy, but our present system of general,



technical and managerial education is totally inadequate for the requirements of modern industry and the next Labour Government must produce some radical reforms in these fields. But it should be industry's job to train and plan the best use of the talent it has. In many companies, large and small, management training is often non-existent and where it does exist it is often haphazard, ill-planned and frustrating. In too many British companies, managers are selected and promoted as a result of nepotism and "connections" rather than of careful appraisal; and considerations of class are often given more weight than intelligence, training and ability. Though British industry requires men of energy and aggression, it often looks for managers among gentlemen conformers hungry for respectability. This is partly due to Britain's cult of the amateur—a cult we need to end.

(b) *The systematic use of modern techniques* to achieve a high level of productivity. Among these are the efficient use of labour and materials, the use of accurate cost analysis and budgetary control, quality control, work study, operational research, inter-firm comparisons and the relevant use of data processing equipment to provide information for logical decision making. The use of such techniques is still in its infancy in most British firms.<sup>1</sup>

(c) *The efficient use of forward planning and forecasting.* There is no need to stress the importance of being able to foresee turnover with reasonable accuracy for at least twelve months ahead. Stocks and batch sizes can be calculated at the right levels, plant and labour can be used to the economic optimum and waste or loss consequent upon unexpected rises or falls in demand can be avoided.

(d) *Sufficient resources devoted to research and development* to ensure a flow of new products to provide for the future. There have been some major achievements by British industrial research over the past decade such as discoveries in nuclear engineering, disc brakes, new penicillins, developments in aero-engines, and navigational aids for aircraft. Without detracting from these it is still true to say that our industries devote far too little to research. Perhaps others should speak on this—two examples will suffice.

(i) In the Fawley Lecture at Southampton University, Quintin Hogg, Minister for Science, etc., etc., said that a few major industries apart, British companies may have bitter cause to regret the present lack of research within individual firms. At present not enough was being done in co-operative ventures between Government research institutes and industry's own research associations.

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<sup>1</sup> Work study and O. and M. techniques have, of course, been taken up enthusiastically by large and even medium-sized British firms in recent years, but perhaps it is as well to be reminded of David Granick's observation that this "represents a managerial movement that was revolutionary in American industry during the first decade of this century—but had been routinised into standard operating procedure by the 1920s at the latest. In Britain, on the other hand, work study seems to be given much the same play as in America half a century ago." (*The European Executive*, Weidenfeld and Nicolson, 1962).



"The bigger firms trot out very limited schemes for a Minister's commendation. The smaller firms say they cannot afford it and trundle along, hawking their obsolescent technology through a fast dwindling sellers' market." (*Financial Times*, 10th November, 1961.)

(ii) U.S. industry's research expenditure is over five times as large as that of British industry as an absolute figure. It is nearly three times as large per employee and twice as large as a percentage of net output.

"Taking the 350 largest companies in each country which do research, the average large U.S. company spends five times as much as the average large British one. . . . If Government expenditure in industry is excluded, research expenditure in industry in the U.S. is more than four times that in Britain. Adjusted manpower figures show somewhat the same picture with nearly five times as many qualified engineers and scientists doing research work in the U.S. as in British industry in 1959.

Looking at research expenditure as a percentage of an industry's net output, U.S. spending is nearly twice as high as Britain's—excluding aircraft, it is over twice as high. If the expenditures of large firms in both countries is compared—on the research rate of \$6.3 to the £—the British aircraft industry comes off best with a U.S./U.K. ratio of 1.3 to 1. But the electrical industries have one of 6.3 to 1 and those producing vehicles 19.3 to 1. For machinery, it is 7.5 to 1, for chemicals 2.3 to 1 and for scientific instruments 3.5 to 1.

In both countries, medium-sized and small firms are responsible for a relatively small proportion of research. The vast majority of small firms do not conduct any at all.

In most industries, the average large U.S. firm obtains a substantial advantage from the much greater resources it deploys in applied research and development. It is competing on even terms in world markets with British firms whose size and research effort is usually smaller."<sup>2</sup>

(e) *The use of market research* is vital. Again, look at two eminently respectable sources.

(i) "This broadsheet concentrates on what is believed to be one of the major reasons for Britain's lack of success in the world's export markets, namely the British manufacturer's use of obsolete marketing techniques resulting from neglect of market research. Since Britain was the supplier for over a century and a half of immense quantities of manufactured goods to the nations of the world the notion that the process of manufacturing was the foundation of sound business gained an unwarranted sanctity. The neglect of dynamic marketing based on systematic marketing research, is a dominant cause of Britain's current export predicament.

To find out customers' preferences, to define the characteristics of the market, to estimate volume of sales, to obtain information on the products and prices of competing manufacturers, to check on the efficiency of pub-

<sup>2</sup> "Research and Development: A Comparison between British and American Industry", National Institute of Economic and Social Research, *Economic Review*, No. 20, May, 1962.



licity, to secure economic information on likely developments in the future—it can be argued that these uses of marketing research have not been properly considered by many British manufacturers.

Until recently certain traditional markets were considered a prerogative of British industry, which led to institutional thinking instead of entrepreneurial action in overseas trading. Foreign manufacturers had to gain markets rather than find them—with the result that their marketing methods had an aggressiveness about them lacking in those of British firms.<sup>3</sup>

(ii) A recent survey by the British Institute of Management has shown that market research appears to be “still in its infancy in British business”. U.S. industry spends 50 per cent more in proportion to its size than British industry, although exports are not so important to America as to Britain. The comparatively small number of companies engaged in export and marketing research was striking, particularly in product and market research “where one would have expected a great deal of work to have been carried out in investigating export possibilities”.<sup>4</sup>

The five techniques listed above are quite basic. Every board of directors should be familiar with these methods and should either employ, or see that their trade association employs, specialists capable of applying them. These methods are not widely understood or used outside a few large companies, partly because the ideal of the gentleman amateur is still enshrined as the culmination of our class system. Too many of our industrialists are not convinced that the study of management, or indeed any sort of study has any usefulness in industry and too many feel that their firms are best run by intuition and not by expertise. Lack of competition, too, removes the urgency for adopting modern techniques—and helps the gentleman amateur to survive.<sup>5</sup>

In recent years many commentators have pointed out this failure of British industry (and Government) to pioneer technological advances:

(i) “Ten years ago we were making nearly as many computers as the Americans and more than anyone else in Europe. Today, alas, this is no longer true. Nearly £2,000 million worth of computers have been sold in

<sup>3</sup> “Problems of Export Marketing”, PEP, *Planning*, No. 459, February, 1962.

<sup>4</sup> B.I.M. Survey of Marketing Research in Great Britain. January, 1962.

<sup>5</sup> For a discussion of this, see Granick *op. cit.* Chapter 18. *Britain: The Home of the Amateur* is particularly relevant. Perhaps these views may help to back up the points we are trying to make:

“... the civil service is the model for large organisations and the member of its Administrative Class sets the tone for the businessman as well. . . . Social responsibility is the key word, rather than the aggressiveness which claims victims both from among competitors and among employees and executives within one’s firm whose skills are made technically obsolete. . . .”

“... The second feature is that Britain, the traditional home of the shopkeeper, regards marketing with considerable ambivalence . . . general selling bears the mark of the huckster. . . .”

“... A common theme runs through all of these examples: rejection both of professionalism in management and of the enormous attention to planning and control which has accompanied professionalism in the United States. . . .”



the world, but only 1 per cent was made here. We have installed £23 million worth of our own make in England, we have imported £18 million worth; but we have exported only £5 million worth. There are twenty times as many computers installed today per million of the working population in America as there are here. Would that our Government had been as imaginative and courageous as the Americans have been in the past 10 years! We might have had our share of one of the most rapidly growing industries in the world. What might have become one of our greatest industries is now firmly in the hands of our competitors. . . ."<sup>6</sup>

(ii) In discussing British economic development since the war, Mr. Duncan Burn<sup>7</sup> discusses two features of growing importance: "A surprisingly large volume of industrial investment has been of a kind not likely to minimise costs and make the most of the opportunities offered by modern technology", and "the dependence of British industry on foreign research or foreign development for innovations in process or plant or product has been disconcertingly high". In support of the second point, he draws up the following list of "important developments" since the war in which we follow, e.g.:

The transistor (U.S.); the tunnel diode (Japan and U.S.); synthetic rubbers (U.S. and Germany); low pressure polythene (Germany); polypropylene (Germany, Italy); new variants of nylon (Italy and Russia); acrylic fibres (U.S.); car heaters, new metal defining methods (Continent and U.S.); development of titanium, zirconium, beryllium (U.S.); new steel processes (Continent); improvements in steel rolling (U.S.); mining technology (U.S. and Continent); new paints (U.S. and Germany); most penicillin antibiotics (U.S.); new textile machinery (U.S., France and Switzerland); diesel electric locos (U.S., Switzerland); high-powered diesel engines for ships (Continent).

Proximately the cause must lie in management—lacking scientific knowledge, and often basically lacking scientific interest and more broadly lacking imagination and interest in innovation."

To sum up, Britain needs efficient managers to organise the best use of our resources. The evidence available seems to show that not all of British industry is aware of this. A planned and growing economy with a high degree of competition is necessary to change this situation.

## 4. Responsibilities to Employees

Managers frequently find themselves confronted with two apparently irreconcilable objectives; on the one hand, they must be efficient; on the other they must be humane to their employees. In some matters, such as the organisation of work, their responsibilities may conflict. We—and they

<sup>6</sup> "Electronics and Automation," B. V. Bowden, Principal, Manchester College of Science and Technology. *Financial Times*, December 17th, 1962.

<sup>7</sup> "Investment, Innovation and Planning in the United Kingdom". *Progress*, the Unilever Quarterly. September, 1962.



—must face this dilemma and the following section indicates what their responsibilities are.

British industrial relations may be better than those in some places abroad, and the Labour Movement is rightly proud of the great advances made. Yet it is widely agreed that labour relations in the broadest sense are still deplorably weak in large parts of the country: there are enormous contrasts between the good human relations in some industries and firms, and the poor or indifferent human relations in others. Much of industry is still marked by bitter memories, by restrictive practices and resistance to change, by out-of-date social divisions, by sheer boredom, apathy and disinterest on the part of millions of employees.

These are fundamental problems. By no means all of them are the fault of management—nor can management put them all right. It has to be faced that millions of jobs today are intrinsically limited and dull. Much of the trouble, too, springs from deeper faults in our society—and especially from the inequalities, the under-development of human resources and the class divisions which still exist in Britain. Moreover, a decade of Conservatism has hindered the growth of co-operation and slowed down the pace of social and technological change in industry. Finally, the trade unions also have a big job to do in modernising their own organisations—now all too often inadequate for their problems and opportunities. However, this pamphlet is concerned with the responsibilities of *management*; and the fact remains that the quality and decisions of management are the biggest single factor in human relations in any concern.

First, there are certain basic social standards to be adhered to by *all* managements—not just by the few. Secondly, there are certain social priorities which should be increasingly followed by British managements.

### Basic Standards

The major question applicable to every concern, large and small, is quite simple—does its management think social policy and human relations are important? Social planning is of critical importance to a business, but how much time does the Board devote to it? How much personal interest does the chief executive take? How many employees have actually met their top managers, or in bigger concerns, at least, know who they are? It cannot be emphasised too much that virtually nothing can happen unless real interest and sincerity are both present and evident at the top. And the vital person here is nearly always the chief executive, since his conduct can usually set the whole tone, can make or mar the whole social atmosphere of a business—whether the business is large or small. Humane and effective leadership at the top in industry is as important now as it has ever been.

Given this essential leadership—and we realise just how elusive the basic human quality can be—the basic standards which we believe should be followed are these:

(a) *Wages and Salaries* are largely influenced by pressures, including trade union pressures, virtually outside management's control. Within these



limits, however, management can do a good deal to make wage and salary structures more rational and fair. Job evaluation can help to establish acceptable differentials for many jobs. Where variable incentives are necessary, they should not form too large a part of the total pay packet, since wide fluctuations in pay are socially undesirable. Where management does control pay decisions over and above statutory and other minima—for example in most clerical jobs and in occupations not yet covered by collective bargaining—such decisions should not be taken arbitrarily. Sensible categories should be drawn up; employees should be assessed at least annually, on a fair and even basis which has been discussed with them and which relates to the job; and the old evils of favouritism and off-the-cuff decisions should be utterly banished.

(b) *Relations with Trade Unions* should be efficient and diplomatic. Conflicts on pay are absolutely inevitable and it is foolish to think otherwise. But management should conduct its relations with unions realistically. A few managements are still reluctant even to recognise established unions, and for this there is no excuse whatever. More frequently there is a complete failure of understanding. Top management should carefully watch union relations; prejudices in the junior management or supervisors should be discouraged. Line management, and all who deal with labour, should be educated to understand trade union traditions and organisation (including the relative roles of shop-stewards and trade union officials), as essential facts of modern life. Managements should even consider that it is among their responsibilities to train the shop stewards of the future as some companies have already done in conjunction with the WEA.

(c) Proper and systematic *selection of staff* is as essential to human relations as it is to efficiency. All large organisations should set up management or career development sections concerned with the overall planning of the individual's career.

(d) So far as is possible *reasonable security of employment* should be given to long-serving employees. Especially long service should be rewarded. Where redundancy is inescapable it should be dealt with humanely—the unions consulted, fair notice given, and compensation provided to any employees affected. There is still much "casualisation" in some industries, resulting in considerable inefficiency as well as bad relations. An active management would be striving to end this.

(e) *Pensions* should, wherever possible, be arranged for employees so long as State pensions continue to be inadequate. It is contended that in the long run pensions should become a complete public responsibility—(see below).

(f) Many medium and large firms now have *Personnel Officers*, and there are fully fledged personnel departments in the largest concerns. Yet in many other firms of comparable size management still distrusts this idea, or cannot get round to it. In all concerns of sufficient size only exceptional circumstances—such as the existence of a board member who is qualified

for and specifically entrusted with this work—can justify a failure to appoint qualified personnel officers.

(g) *Training* for all levels of staff is essential for the future of any concern—including proper induction procedures, apprentice training, training for operatives, clerks, foremen, supervisors, and technical staff. State action is urgently needed for some of these. But many firms can and must do a great deal more, and do it quickly. At the moment, firms with bad records depend on others to provide trained personnel, but even the good firms are too bound by traditional methods. The recent moves to remedy this situation were welcome but hardly adequate. Any firm using the results of the apprentice system should help to finance that system. And the day release of young workers for further study and training should be widespread.

(h) Finally—and perhaps most important—there must be an awareness of the need to solve the *problem of communications* in the firm. Such apparently simple tasks as passing down orders and instructions are often not well done. It is management's task to make sure it can communicate clearly with its employees at this simplest level. But it is not enough to tell people to "do this". Workers in a firm should be given a wider knowledge of the firm and of where they fit in. They should be given basic financial knowledge about sales, profit breakdowns and so on if they are to fit into the firm in a wholehearted way.

An important channel of communication is the use of joint consultation between management and workers. This means that workers should be aware of changes likely to affect them before these changes take place. Their attitude to these changes has then to be taken into account. Indeed, workers' attitudes—as expressed in consultation—should be taken into account in all matters and grievances remedied by these means. Consultation, too, provides a channel for the positive reactions of employees.

Good communications are the job of line management, but specialist advice is frequently invaluable, particularly when relatively sophisticated techniques such as attitude surveys are used.<sup>8</sup> Specialist advice is also necessary when the problems of information about the firm and consultation with workers are tackled through the device of a joint consultative committee. Such committees, on a formal representative basis, are invaluable in the field of communications, but require expert knowledge to launch and run.<sup>9</sup>

These themes are the staple diet of management journals and textbooks; they are far from new, and for the most part are extremely obvious. They represent the minimum standards which are required; and they all lie well

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<sup>8</sup> For an account of the use of attitude surveys, see E. Moonman, *The Manager and the Organisation*, chapter 9.

<sup>9</sup> The advantages and disadvantages of these are, of course, well known. The best handy summary is the Industrial Welfare Society's recent pamphlet, *Joint Consultation*.



within the self interest of companies in the private sector. Yet in large parts of industry and commerce managements are failing to put even these minimum standards into effect—partly through lack of interest, but more often through sheer ignorance. Over the next decade, they need to do so—helped or prodded by Government as necessary.

### Some Inadequate Remedies

Even if these basic standards are everywhere applied, however, some fundamental problems would remain unsolved. Restrictionism, apathy and social conflict would still largely remain. In dealing with them we believe that enlightened managements should be prepared to go farther and to consider more radical changes. Before outlining these, it should be explained why some current nostrums are inadequate.

*Profit sharing* is not the answer. Some profit-sharing schemes are having a limited though real success, i.e., where shares are handed over and most are retained, the sense of identification with the company increases. But the evidence of this is so far insufficient. It is also important to remember that profits reflect so many things besides the efforts of employees that in some industries it may be unfair to share them with workers rather than with the wider community through taxation or lower prices. And there is an even better argument against profit sharing as a basic remedy—as purveyed with some naivete by Liberals and others. A good employee already contributes his life and loyalty to his firm. Why should his property and savings be similarly tied up with that firm's success or failure?

It is frequently assumed that another litmus test of management's progressiveness lies in the provision of bigger and better welfare schemes for employees, in ever-widening "social expenditure" and "fringe benefits". This assumption needs to be looked at more closely—and cautiously.

If "welfare" means "best possible working conditions"—including such things as canteens, safety, rest periods, washing facilities and the like—then no one in his senses would disagree. Nor can it be denied that in many places these welfare matters still need to be greatly improved. But over the past few decades, "welfare" has come to embrace the much wider area of sick pay, pensions and (more occasionally) redundancy pay—all of which reflect, in varying degrees, management's desire to recruit and retain labour (under conditions of full employment), to maintain morale, and, frequently, to avoid tax.<sup>10</sup> Whatever the motives for such private, miniature "welfare states", a basic question is raised in an acute form. This question is another facet of a problem that runs right through this paper—what is the reasonable demarcation line between management responsibilities and those of the community?

As Socialists, our answer to the welfare part of this question is firm and unequivocal: the human problems of sickness, accident, redundancy and

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<sup>10</sup> For an analysis of expenditure in this field by some of the pace-setters, see *Industrial Welfare Society*, "The £.s.d. of Welfare".



old age should not be tackled by management but by the community as a whole. At present, oases of private welfare lie in a surrounding desert of mean and inadequate State benefits. Any humane person must find this totally unsatisfactory. If somebody works for a prosperous firm, providing good fringe benefits—one of the oases—he will do relatively well; if through no fault of his own he works for a firm which cannot or will not provide such benefits (and there will always be many such firms) then he is penalised. This creates unfair and arbitrary differences between various groups of workers, and utterly defeats the one criterion which ought to be supreme in the social services—that of need. The problem could be resolved by the Labour Party's plan for sick pay, unemployment benefit and pensions to be financed jointly by employers, workers and the State, with contributions and benefits both graduated according to earnings. Only thus can varying abilities to pay be tapped, and varying needs be met.

If social security is linked with rising earnings and taxation, the need for *company*-provided fringe benefits will greatly diminish. It is suggested that both management and employees should welcome this change of emphasis. Management should welcome it because social services as such are not really its function. As defined above, good relationships, minimum standards and social dynamics at the place of work are a definite management responsibility; but, the welfare of employees, away from work, is not. As for employees, they too should welcome being less dependent on the companies for which they work.

The question of dependence is a delicate one. Clearly, certain ranks, usually managerial ones, must expect the firm's actions to affect their lives outside work. For example, a young manager or a salesman may have to move around a good deal inside his company, and this may be tough for his wife and children. For such people, as for the ambitious and for top management, loyalty to the company must often loom large indeed. Similarly, in some areas, those on the shopfloor become very dependent on a local management's goodwill, simply because there are so few other jobs in that area to go to. These are the more or less inevitable facts of industrial life. But to add a further series of golden chains—so that nearly every phase of social life and change of fortune is also linked to a company—is certainly bad for mobility (as in the case of non-transferable pension rights), and may also be bad for independence and even, on occasion, for integrity.

This attitude to fringe benefits may sound negative, but it is basic to the concept of management set out here. Conservatives have argued that the State should keep its social services to the bare minimum, leaving industry to fill the gaps so far as it can, and that, in some mystical way, this is better for "freedom".<sup>11</sup> Socialists must reject the idea of management "paternalism", however benevolent. For freedom, as well as equity, is threatened if, in the field of welfare, management has either to shoulder communal responsibilities or to trespass on a man's personal and private life. A new

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<sup>11</sup> Cf. Suggestions made at various times by members of the Bow Group.



form of industrial feudalism is hardly an advance to freedom.

The good manager knows that the fundamentals of his job lie in the workplace, not in the home. There is plenty to do, over the next decade or two, going well beyond the basic minima outlined above.

### Three Social Priorities

Enlightened management should tackle three social priorities in the years ahead. First, the *joint consultation techniques* referred to earlier should become commonplace in British firms, and should be considered essential in the larger firms.

Secondly, *the need to preserve and foster personal initiative at all levels* must be emphasised. The size and complexity of modern industry has set up formidable obstacles; it is hard for a man to express initiative in his work when his job is so dull, his company so big (and possibly getting bigger), and his leisure and home activities so much more interesting. As thoughtful managers well know, the talents and capacities of many ordinary employees are not being fully used at their work. But what can *management* do about this? In our view, several things. There should be clear lines of promotion on and from the shop floor and office—opportunities for the small man. Job rotation can be applied in some cases—with suitable rewards for versatility in more jobs than one. Special attention should be paid to the needs of younger workers and, in particular, their efforts at further education should be encouraged. Suggestion schemes should be applied more widely, another field in which Britain lags behind other countries, notably the USA. Competitions between small working groups—on such things as productivity, accident prevention and good housekeeping—have a considerable role to play. All these things can create sparks of interest, and chances for enterprise. Characteristically, in their obsession with “free enterprise” at the top, and with opportunities for the few, the Conservatives have virtually ignored this problem in office and factory. Management need not and should not make the same mistake.

There is also much to be said for the greatest possible degree of decentralisation, for federal forms of company structure and for devolution of authority to the lowest levels, since these, too, can help to avoid remoteness and frustration. As many companies get even bigger, urgent attention must be given not only to the obvious perils of “Parkinsonism”, but also to the more subtle danger of an erosion of the liberty and initiative of the individual employee.

Finally, and perhaps most important of all, there must be *a systematic breaking down of social divisions and class barriers of employment*. To say that British industry is still hampered by old-fashioned social concepts and conflicts is now a truism. It is right to mock the endless graduations, in some firms, of offices, canteens and even lavatories—as also the lavish and needless luxury often provided for senior employees. More serious are the great differences in treatment between “staff” and “labour” in such matters as sick pay, length of notice and other benefits. Why, for example,



should a junior typist get full pay during sickness, and a fitter nothing? Why should a sacked director get a "golden handshake" of several thousand pounds and a long-serving worker only a tiny sum, perhaps toughly bargained for and reluctantly given?

Even if many of these benefits become public responsibilities, management will continue to decide in a whole range of social matters how various groups of employees should be treated. Any differences should be kept to the absolute minimum necessary for practical and economic reasons, and top management must itself set the tone by constantly emphasising—in work and deed—the need to respect the dignity of all employees. Several practical steps can be taken. Length of notice and other benefits, for example, can be geared to service with the company rather than social status. Staff grade schemes extending "staff" conditions to manual workers, are a step in the right direction. In some cases the practice of "clocking in and out", so often an invidious one, could be abolished, or at least extended to all employees. The delicate position of such groups as foremen and scientific and technical staff often needs careful attention. And there is no doubt that management can do much to avoid the "red carpet" complex, to counter the atmosphere of remoteness, to emphasise that the basis for its authority is functional and not social, and to foster a robustly democratic atmosphere in industry.

In these and other ways, concurrently with changes in taxation, the trade unions and the educational system, management can play a vital part in pushing the private sector into the forefront of social as well as technological progress.

## 5. The Community

**D**ISCUSSING management's responsibilities to the community is difficult and complicated by emotional attitudes. On one extreme are some rugged individualists who hark back to a past which hardly ever existed and maintain that management has no responsibilities beyond those of making as much money as quickly as it can in any way that it can. Few managers, in fact, act on this precept; but, unfortunately, it serves as an ethic for many, half-understood and not obeyed—but obstructing the relationships of business and the community.

On the other extreme, there are those who have highly developed, if badly defined, notions of public service. Socialists believe in public service and in the responsibilities of all of us to one another and to the community. But these responsibilities must fit into the general pattern of responsibilities and a management must always remember its first duty is to manage efficiently and to avoid wasting the community's resources. If management is called upon in the name of public responsibility to do things it considers a waste of the community's resources (e.g., run an unprofitable service, abandon a merger which would bring more efficiency), it ought to be quite clear what it is doing and make it clear to those requesting it to do so. Perhaps

this caution applies more to managers in public than in private industry: but it is not unknown in the latter.

A careful examination of management's responsibilities to the community requires us to ask what the community is and how management's actions affect it.

### **What is the Community?**

"Community" may be defined in a number of ways and the level of management dealing with the community will vary. One expression of the community is the large-scale one—the nation as a whole—represented in most ways by the Government. The smaller scale of community may be represented by the local authority. But there is also the sum of many or few individuals who may be affected and who are pleased, annoyed, hurt, helped, hindered or harassed by management actions, which may range from closing a works with a thousand workers to installing a machine noisy enough to annoy someone living nearby. All these levels need to be considered.

It can probably be assumed that any British Government in the foreseeable future will be concerned with maintaining a fairly high level of economic activity and with keeping relatively full employment. It may also be assumed that a Labour Government would have more positive aims such as increasing the rate of economic growth, altering the pattern of industry either geographically or productwise or both, increasing the total of exports, changing the level of investment and indeed, changing a number of industry's economic activities.

Does management have any responsibility to the Government (i.e., the community) involving it in assisting the Government in these economic aims? It may appear to be something of an anti-climax to say that management's first responsibility is to obey the law. By this we mean that if a government wants any positive planning and requires the management to do certain things, then management must obey whatever is set out in statute or regulations; it may be required, for example, to refrain from building a factory at one point or from producing a certain product. It may be asked to submit its investment plans to the Government or to raise new capital at a time and on a scale and interest rate dictated to it. In all these matters management—whatever its level—has only to obey.

But Government does not plan the economy purely by fiat; it plans also by incentive—usually a fiscal one. In these cases, management's responsibilities are less clear cut. The Government may offer it, say, concessions in taxation if it invests more over-all or in certain fields, or if it builds its new factories in certain areas, or if it exports more to certain areas. Alternatively, there may be a subsidy or cheap capital if any or all of these things are done. However, the underlying belief is that the firm's object is to maximise its profits and the Government's plans get in the way of this.

Clearly, in our present society, if the action the Government wishes the firm to take is highly profitable, or grossly unprofitable, the firm will act



accordingly. But negotiations between industry and the Government rarely result in the matter being as clear cut as this. Probably the decision the Government wants would not help or harm the firm greatly. But community pressure complicates the issue.

In such circumstances, most people would feel that the management concerned must put community interest first, i.e., it must do what the Government wishes it to do rather than the slightly more pleasant things it would prefer. And put in these terms, most managers would agree. Alas, these are not the terms in which it would be put. "Putting the community's interest first" is only another way of saying "the gentlemen in Whitehall know best" and this is not a view to commend itself to managers in cases concerning themselves—often with some justification when the level of expertise (as opposed to intellect) of the higher Civil Service is considered.

This situation is wrong: Government decisions should be clear cut if they, in turn, affect management decisions and management should not be left—as indicated above—on the margin of decisions. Once Government decisions are made, management would be expected to co-operate loyally in them. If disobeyed, then the normal sanctions of Government should apply.

So far this part of the argument has referred to major decisions by management and Government. Without going into long discussion on economic planning, it seems to us that these would probably be in the fields of investment, wages and prices. There are, however, other fields to consider where management decisions affect the community and in which management might be thought to have a responsibility. Three spring to mind at once.

(a) It is fairly easy to deal with *the physical impact* of management decisions on the community; thus management's responsibilities are fairly clearly defined by law. It is illegal to be a danger to the community, to be unhealthy, to emit black smoke in some areas, and so on. When some actions are not illegal but distressing—e.g., in making certain types of noise or smell—management's responsibilities are unwritten but clear enough: they are to do unto others as they would be done by and no amount of sophistry or nineteenth century economic theory can alter this. If being a good neighbour or having social responsibilities affects company costs, this has to be faced by the firm concerned. However, the community as a whole should reduce to a minimum such conflicts between costs and social responsibilities by regulations which must be obeyed.

(b) *Design* of products, factories, the firm's vehicles, etc., does affect everyone in the community and, by and large, it is impossible to legislate for good design. To say that a management has a responsibility for seeing design is good brings forth all sorts of questions. But it is very difficult to see what can be said beyond this. The solution to bad design is long term and lies in education and encouragement (and high level patronage). Any other solution such as imposing design standards is more or less incompatible with a free society except where public or semi-public capital is involved, e.g., in housing or in road construction.



(c) *Advertising* is perhaps the most complex of all. First, we must make clear that, in our view, advertising as such is a good thing. It increases sales and markets, brings out new products and aids competitive efficiency—or, rather, it can do all these things. But some advertising is in bad taste (which, while not clearly defined, is easily recognisable), some appeals to values that we reject and some stimulates emotions which society has spent many generations in civilising. If such advertising is likely to be successful, then a manager is faced with the problem of social responsibility in an acute form: is he to undertake this socially undesirable advertising or is he to sacrifice a competitive advantage? We think this is a problem for society as a whole, not just for managers. How society can solve it is not within our terms of reference, but responsibility cannot be placed solely on the managers in our society.

*Note:* The foregoing section does not deal with two sorts of advertising which are often—and rightly—attacked. The first is *misleading* advertising which claims “new ingredients” or some other pseudo-scientific mumbo-jumbo; this is capable of being dealt with by legislation. The second is what is usually called *wasteful* advertising—i.e., fierce advertising campaigns between identical products, at identical prices in a largely fixed market; this, too, the community can deal with by various anti-monopoly devices being used to attack the cause—cartels or duopoly—after which the symptoms—wasteful advertising—will disappear.

### Relations with the Smaller Community

Apart from the wider community of the State, management will have relations with a smaller community—usually the one in which it is set. Here, the actions of the lower levels of management may become significant. The sort of example that springs to mind is that of staggering hours to relieve traffic congestion or the organisation of shiftwork bearing in mind local conditions, e.g., to provide employment for married women while their children are at school.

However, most of the matters in which managers as managers might affect the lives of their local community are circumscribed by law (e.g., public health, planning permission, smoke, noise, safety and industrial health). The community's powers may require improving, but largely, managers have their responsibilities laid down.

It seems that with one major exception, there is not much that managers, as managers, can do in the local community beyond minor actions such as those in the sphere of sport and culture or other bits of social engineering (e.g. staggering hours). Depending on the amount of managerial indulgence allowed them by the circumstances of the firm, they can obviously do a lot for local sport and culture. As sport matters a great deal to people and as, to a lesser extent, so does culture (e.g., the firm's amateur theatricals) managers should be socially responsible about these two matters.

The major exception is education. Here managers by release of workers for instruction or to instruct, by liaison with the local authority on technical



courses, by planning recruitment (by time as well as occupation) can really have some effect on the life of the community. Here is a very distinct social obligation which could be particularly marked in the release of senior staff for periods of teaching and lecturing.

Negatively, there is something to be said for discouraging management as management from too close concern with the local community. The company town and a community moving solely among coal or cocoa dust are not to be welcomed.

## 6. Inducements and Sanctions

### Inducements

IT has already been shown how a Labour Government should recognise the role of the private sector and approve its profitability under certain conditions. It should act with an understanding of, and give a sympathetic hearing to, the problems of management. It should clearly define the grounds on which an industry might have to be taken into public ownership. It should make clear that it is not "anti-business" in a doctrinaire way, but that it proposes to make explicit industry's responsibilities to employees and to the community as a whole and that it intends to prevent business practices that have as their object or result the prevention, restriction or distortion of competition. To moribund managements this prohibition may come as a shock. To others, with enough liveliness and aggression to grasp their opportunities, it will open up new fields of enterprise. In such an industrial system a company will thrive or die according to the competitive efficiency of its managers. This will raise the standards and status of managers in this country—which is urgent and essential. We must now consider the inducements that a Labour Government must offer industry before turning to the sanctions it must be prepared to impose.

The most important inducement which a Labour Government can give to private industry is a consistent economic plan, dedicated to sustained expansion. The British economic stagnation of the past ten years cannot be analysed here, but a Labour Government must replace the periodic bouts of inflation, the haphazard, fumbling economic policies of a decade of Conservative rule under which private industry has been unable to forecast future business conditions or draft long-term plans, with a national plan.

"A national plan, with targets for individual industries—especially the key sectors which produce the tools of expansion—would enable every industry and undertaking, publicly or privately owned, to plan its own development with confidence in the future."

It is perhaps appropriate to refer to some of the Labour Party's commitments in this field. The policy document "Signposts for the Sixties" says a National Industrial Planning Board will be created to co-ordinate detailed expansion plans in consultation with industry; Labour has indicated that its tax policies will encourage investment and allow the speedier writing off of capital expenditure; where appropriate, it will underwrite guaranteed



orders. It will reconstruct and greatly enlarge the existing National Research and Development Corporation. The Corporation will, in some cases, undertake joint enterprises with private companies "which have the expertise to develop new products but lack the resources". The NRDC will place research contracts with private companies and will, by this and other means, attempt to modernise declining industries. Labour's national scheme for apprenticeship and training will bring considerable benefits to companies handicapped by a lack of skilled workers.

Beyond this there are several other fields in which a Labour Government must act.<sup>12</sup> It should recognise the entrepreneur's importance to industrial growth and technological innovation. Many of the policies put forward here for making industry more competitive will encourage the new entrant with ideas, but a Labour Government should examine the provision of low-cost loans and cheap modern premises to enable small entrepreneurs to exploit whatever market situation appears to offer the best return. A Small Business Agency might be set up, for example, to make loans to entrepreneurs on the value of their inventions or ideas and to take a corresponding share of the company's equity.

We are convinced of the value of management training, both by schools of Business Administration on the American pattern and within industry. Government efforts to provide or encourage management training have so far been inadequate. The Government should set an example by providing more extensive management training within the Civil Service, in which there seems to be little awareness of modern techniques of administration.

The Government should provide executive training in hospital and prison management, school and university management and other fields of public administration. The status of industrial management should be recognised by the establishment of chairs of industrial and public administration in universities and, throughout the further education system, the study of management should be given the importance of such subjects as accountancy or engineering. Perhaps pupils in secondary schools could be given a grounding in business education by including statistics and programming in mathematics courses and by teaching basic economics at an earlier stage.

Research into management problems is undertaken by the DSIR and other bodies, and industries should work with them to improve techniques. There should be much closer liaison between industry and colleges and universities in, for example, the social sciences. Social scientists can now give managers information about bonus schemes, incentives and personal selection, but little knowledge of this has trickled through to management. There might be a case for the preparation of a standard handbook on such matters—say by the Ministry of Labour.

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<sup>12</sup> It is well to make clear at this stage that we agree with the necessity of a fully publicly owned transport system and a nationalised steel industry as pillars of the national plan. We think that state, municipal or co-operative ownership should be introduced to part or all of any industry where the success of the plan depends on it.



Such Government advisory services as the British Productivity Council should be strengthened and their usefulness be more widely publicised. British official statistics are at present inadequate for many marketing and other management studies. The Government should issue reports and statistics in greater abundance on management topics, perhaps getting the British Institute of Management to act as its agent.

An overall policy is necessary to the country's future requirements for scientists and technologists. A study made by the Ministry of Labour and National Service and the Advisory Council on Scientific Policy in 1956 stated that the number of people obtaining professional qualifications in science and engineering would need to rise from ten thousand to twenty thousand a year. It is likely that this figure is no longer a true indication of the needs in 1963 and vigorous action is needed to ensure that a realistic target is planned and met.

A Labour Government should set up a system whereby industries report on their craft apprenticeship requirements in the light of current wastage, training intake and forecasts of the growth of the industry. The State would be responsible for a national retraining policy. Thus groups of workers affected by technical change or closure could be given advice and instruction in new skills and new techniques to accommodate them either within another firm or within another industry, according to the availability of jobs and the rate of expansion elsewhere.

### Exports

We agree with the conclusions of the recent FBI report on export incentives that a Government offering such subsidies as tax relief on profits made by exports would merely involve us in a subsidy race with our competitors. Our exporters are adequately provided with credit facilities at a reasonable cost and the terms offered by the Export Credit Guarantees Department are comparable to those offered by our competitors. Unlike the last Prime Minister, we know that exporting is not fun, particularly for the small manufacturer. We are aware of the difficulties of finding reliable foreign agents, of finding the men and the money for an export department capable of doing market research, export documentation, translations, of lobbying foreign Governments and of keeping up to date on tariff and quota changes. We can understand why many small and medium-sized manufacturers do not think that exports are worth the effort under present conditions.

It is assumed that the acceleration in economic growth presupposed, will lead to an increase in exports and some of the measures proposed elsewhere will force some industries out of a protected market and into exporting.

One idea<sup>13</sup> worth re-examination is the formation of export "associations" or "co-operatives" of small manufacturers specialising either in export

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<sup>13</sup> For a discussion of this, and of the difficulties of small manufacturers, see M. Falk, "What kind of Animal", *Westminster Review*, February, 1962.



services for one industry or for several industries exporting to one region. Such an association could afford to employ marketing experts and overseas representatives, would carry enough weight to negotiate with foreign Governments (important in trading with East European countries or countries with a high level of tariff or quota protection) and could afford to stage advertising campaigns and exhibitions overseas.

The Government should set up a Department dealing with exports, perhaps on the lines of the post-World War I Department of Overseas Trade, unfortunately abolished by the Labour Government in 1946. For a lucid discussion of the shortcomings (apart from ECGD) of Government effort in the export field, see Sir John Lomax's article "Diplomats Do Not Trade" in *The Statist* of June 29th, 1962. The ECGD success story logically suggests that to have an effective trade-aid service the Government must go the whole hog and set up a trading branch—as the ECGD is an insurance branch—to do business in circumstances or markets where private enterprise will not venture.

### Sanctions

We wish to see a legislative framework which encourages a greater degree of competition than exists in British industry today. Trading practices designed to stifle competition can be dealt with by tariff policy, by stronger legislation relating to restrictive practices, by the almost complete proscription of resale price maintenance and by new measures dealing with mergers and monopolies. These are the sanctions that the community must use.

*Tariff Policy.* We accept the view that British accession to the European Economic Community would have brought competition to certain sectors of British industry which have hitherto sheltered behind high tariffs in this country and preference in the Commonwealth markets. However, this is not to be and although tariff reductions in EFTA may have some small effect, the main line of action appears to lie in multilateral tariff cutting through the General Agreement on Tariffs and Trade.

The 1962 tariff reductions on industrial goods in the GATT conference were a step in the right direction. It must be hoped that there will be a reduction of tariffs as a result of the Kennedy Round. Failing this, the Government could consider unilaterally lowering tariffs on goods which home industries appear to be producing inefficiently.

*Restrictive Practices.* The Restrictive Trade Practices Court has demonstrated the extent of restrictive agreements between companies and has led to many such agreements being abandoned. However, there is evidence that the law governing restrictive practices needs substantial revision. The Registrar of Restrictive Trading Agreements reported:

"Not infrequently on the ending of a price agreement the parties enter into an information agreement under which they send to their trade association or a central agency their price lists or the prices at which they have entered into contracts."<sup>14</sup>



These "open price" or "information" agreements in most cases do not have to be registered under the Act and tend to hinder the revival of competition in industries in which there have been restrictive agreements. "Experience in the United States suggests that they may be as effective as, or lead directly to, collusive arrangements that are more restrictive."<sup>14</sup> We agree with recent proposals<sup>15 16</sup> that open-price agreements should be registered and that their effects should be closely investigated.

We also agree with recent studies<sup>15</sup> that the "employment" condition under which restrictive practices may be granted exemption from the Act, should be omitted—the unemployment caused by abolishing a restrictive trade agreement should be dealt with by adequate compensation and re-training schemes relating to all redundancies. And the "export" clause should be omitted or should refer to the balance of payments, on the grounds that the present "export" exemption is not sufficiently explicit.

*Resale Price Maintenance.* It is in the national interest that resale price maintenance should be declared illegal, but we accept Mr. Hutber's arguments<sup>16</sup> for the establishment of safeguards for small shopkeepers, the Press and the retail book trade.

*Monopolies and Mergers.* Mergers often promote the more efficient use of industrial resources. However, the Monopolies Commission or a new agency for mergers should receive notice of any proposed merger or take-over and should have the power to refuse the right to merge if this appears to be contrary to the public interest. There is nothing to add to Mr. Hutber's proposals<sup>16</sup> that a Registrar of Monopolies should be appointed, with powers to bring cases before a Monopolies Court.

*Companies should be required to publish more detailed information.* During the past few years there has been a welcome trend in many companies towards revealing more details of the financial position of the company. In many cases, however, this relates to items affecting the Profit and Loss Account and is often no more than a forecast of the future trading position. Companies should be required to publish their turnover, distinguishing between the major product lines, home sales and export and the contributions of subsidiaries; their output; directors' remuneration in detail; the number of their employees; the identity of companies in which shares are held and the date of valuation of their fixed assets.

There is also much useful information that could be given to the employees within the firm (perhaps at "jobholders' meetings"): this should include details of its profitability and competitiveness, the cost of employee

<sup>14</sup> Registrar of Restrictive Trading Agreements. *Report*, 1962. Cmnd.1603.

<sup>15</sup> John Heath, "Not Enough Competition?" *Hobart Paper II*. Institute of Economic Affairs, 1961.

<sup>16</sup> Patrick Hutber. *Wanted—A Monopoly Policy*. Fabian Society Research Series 219. December, 1960.

services, economic information about the industry in general and cost and profit figures relating to particular departments.

Companies should be held responsible for *planning redundancy procedures* for their employees. At present, some 350 firms have detailed redundancy schemes, usually planned in conjunction with the trade unions or worker representatives, but this number should be greatly increased. It should be a company responsibility to draft redundancy plans after consultation with employees which clearly set out the length of notice and the arrangements for compensation.

*Penalties.* Companies which breach the law should be liable to fines or to their officers being fined or imprisoned.



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is open to all who are eligible for individual membership of the Labour Party. Other radicals and reformers sympathetic towards the aims of the Society may become Associates. Please write for further particulars to the General Secretary, 11, Dartmouth Street, London, S.W.1.

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