

SOME RELATIONS OF THE THREE PRINCIPAL GROUPS TO THE CONCERN AS A WHOLE

	INVESTORS	WORKERS	CUSTOMERS
A SPECIAL INTEREST.....	In net margin.....	In wages and salaries.....	In price
AN INDIRECT INTEREST.....	In price and pay.....	In margin and price.....	In margin and pay (very remote)
KNOWLEDGE OF.....	General principles only.....	Specific internal conditions.....	Product only
RISK.....	Greatest.....	Less.....	Least
CONTRIBUTION TO SUCCESS.....	Static—or only active periodically.....	Continuous.....	Continuous for dealers and suppliers—static or periodic for others
POSSIBILITIES OF INCENTIVE TO CONTRIBUTION.....	Small.....	Great.....	Medium
RESIDENCE.....	Non-Resident.....	Resident.....	Non-Resident

Figure 1.

groups in the industrial concern—the investors, the workers and the customers. In tabular form their principal relations to the concern as a whole can be put as in Figure 1.

2. Investors' Choice

Glancing at these relations to the concern, let us think of each of the groups as possible choosers of the board of directors. Just now it is the investors—a development wholly natural on account of the immense need and comparative scarcity of money capital since the industrial revolution, and until recent years. Running parallel to it, the call for investment to develop the civilization of the world made capital the commodity for which one must sell his soul if need be. Results as a whole are obviously workable, with evils arising out of non-residence, relative ignorance of the concern's operations, a lack of any great possibility of continuous contribution to the progress of the concern, and the lack of possible continuous incentive; and the rather negative incentive towards careful management, which arises out of the risk factor and workers through fear. Investors have their special interest, as each of the groups has, and by virtue of it, tend to pay as low wages to workers and as low prices to suppliers as possible and to make prices to consumers as large as possible, so that the margin may be maximum.

While it seems very unlikely that any other form of control would have done better during the days of intense pioneering which followed the industrial revolution there are, nevertheless, visible all around us now perfectly obvious cases of the handicaps under which this system suffers. There are many sad cases of inherited control; there are still straw boards of directors like that which led the New Haven road, over fifteen years ago, on so silly a course; there is a serious lack of appreciation of customers' indirect

interest or workers' real interests; there is far too much tendency to count the dollar as the only score in the game, far too little knowledge and interest in operation and too much in stock marketing. Most of these very handicaps were much less serious in the days of rapid growth and rough pioneering than they can now be expected to be in the coming days of greater stability and slower and more laborious progress.

3. Customers' Choice

Yet if we turn to the possibility of control by customers we find in the generalized case just about the same group of handicaps. They have their special interest; they have only a distant knowledge and slight chance for continuous contribution towards success. They are again usually non-residents. Their special interest would lead them, as it has led investors, to deal as closely with the other two groups as circumstances would allow, to pay both the workers and the investors the least that would gain such services from them as are needed. It is true, prices would tend to be lower; and not a few folk have been led by the lure of over-simplification to paint a complete Utopia built upon low prices. This is the same kind of logical error that the investors have always indulged in, when they have assumed that all the elements of a wholly satisfactory social system would somehow or other spring up if only ownership of property was made secure and investment highly profitable. The situation is far too complex to have Henry Ford's doctrine of mass production a complete panacea, an answer to it all, any more than any other panacea has ever proved to be a complete answer. We have examples of consumer control in the cooperatives and in cases of government management. We have so far found both to be practicable only in very special, narrowly limited circumstances.

4. Workers' Choice

When we turn to control by the working force in a concern, and by working force please remember that I mean all who work, whether their primary work is managing or manual labor, we face a somewhat different picture. They are in residence, they have within the total of their group about as much inside knowledge as exists; they have every imaginable possibility of constructive contribution and a wide range of special incentives can be invented to secure it. Their risk is moderate, they have a certain risky vested interest in their jobs—not so great as to cause the extremes of nervous fear we find among investors, nor so little as to fail as a motivating force. Their special interest would be to pay investors as little as possible and make prices as high as possible, but they are held a bit in check by an understanding of the two other groups rather more complete and deeper than investors or customers could gain of their two partners.

Some years ago it would have been considered entirely fanciful to be speculating about the sober, businesslike possibility of finding some day the work force in the same relation to the concern that the investors have so long held. But now not only have we a few special cases of experiment in individual concerns, but great social groups in Russia, Italy, England, and Germany have been performing experiments before our eyes. In Russia and Italy we have the less significant cases for purposes of this particular discussion, for both attempted not to control or hire management but to fire them and, by making believe fill their places themselves, actually to do without management. If by any sudden shift workers' control comes in any country, the lessons of Russia and Italy are probably sufficient to prevent a repetition of this particular human foolishness. But there is no reason to believe that workers' control might not follow closely the example that has been set it by investors' control and hire a management which shall attempt not to effect a dynamic coordination, a cooperation among the three groups in industry—but to cramp the other two as much as it can get away with and skim off all possible for itself. Judging by human history this course is very likely to be followed somewhere, if conditions in any way allow it. Yet by virtue of the fact that the movement of investment capital is many times more fluid and sensitive than is the labor supply, such a course of exploitation would show up its weaknesses very early.

On the other hand, there is among the worker force the opportunity for more sensitive appreciation and understanding of the nature and interests of the other two groups, so that the chance is there for development of managerial methods of a more nearly ideal sort. But when we look more closely at this working force, and at this romancing about it which I have just indulged in, we shall find that we are thinking much more about the managerial segment of each member of the force than we are about his manual or mechanistic, non-managerial segment. Knowledge of the job, possible contribution to its progress, possible appreciation of the joint interests of the other groups—all these reside principally in the states of mind we might call managerial—and specifically among the group of workers whose jobs are principally managerial. If we focus attention upon those individuals whose work involves the understanding of the widest range of facts about the concern, whose possibilities of contribution are greatest, there comes into mind, I think, a picture of a sub-group of workers which, using the words in a very broad way, we might call the "managerial force," whose selfish interests, whose particular characteristics and qualifications all combine to make them by all odds the most hopeful instrument through which the chief management of a concern is to be chosen. So far among the groups directly involved, then, it is that sub-group which we can call the managerial force which best can hire management.

5. Joint Choices

There is a further possibility, which must be given a moment's attention, that is, the four possible combinations of joint choice—investors and workers, workers and customers, investors and customers, and all three together. All these combinations face a difficulty, insurmountable in my own mind, that a board directive, executive in its duties, would tend, if chosen by any of the four combinations, to become representative in its make-up and representative, moreover, of special interests partly at variance. If experience teaches any lesson clearly it is that while such representative, multipartisan bodies have their uses in preliminary surveys of any field, or as defenses against encroachments—as executives they are useful only by rare chance. To plan and to inspire accomplishment, a board must be unitary, free as possible from a narrow special interest, in sympathy and understanding with all the actuating motives of the essential groups.