RESCUING THE 21ST CENTURY FIRM:
A COMMUNITARIAN THEORY OF MANAGEMENT

Characteristically different from its predecessor, the 21st century has a wealth of technology, an educated workforce, complex products and services, and a global economy as a driving force. As the firms of the 21st century struggle, research suggests that a new theory of management is required. This paper argues that the 20th century theories of management are still valid; they simply need to be amplified with communitarian ideals. To rescue the 21st century firm, a communitarian theory of management is required.

Introduction

For the ignorance of the function of management, of its work, of its standards and of its responsibilities is one of the most serious weaknesses of an industrial society – and it is almost universal. (Drucker, 1954: vii)

At the time of writing The Practice of Management, Drucker (1954) may not have realized just how long lasting that statement would be. Fifty years later it seems that the function of management is still widely debated. For decades, scholars and practitioners have argued over theories and practices, searching for answers of the elusive phenomena (Roethlisberger, 1977).

In his new book, The Future of Management, Hamel (2007) continues the debate, suggesting that new theories of management are required. He claims that the management foundations of the 20th century no longer apply to 21st century problems.

Over the course of its development, modern management has wrestled a lot of burly problems to the ground…. Yet these successes have come at a heavy price. The machinery of modern management gets fractious, opinionated, and free-spirited human beings to confirm to standards and rules, but in so doing it squanders prodigious quantities of human imagination and initiative. (p. 8)

Hamel (2007) argues that today’s organizations are managed “by a small coterie of long-departed theorists and practitioners who invented the rules and conventions of 'modern' management back in the early years of the 20th century” (p. i). But are these individuals truly the poltergeists that Hamel claims them to be? Or have the ideas from these theorists of modern management, those who shaped the field of strategy and business policy, been reshaped repeatedly over the years that the original concepts are no longer recognized? Have the foundations become so diluted that their merit has been overrun by
management fads and fashions (Abrahamson, 1996)? Have the management theories of the founding fathers slipped off the strategy pendulum (Hoskisson et al., 1999)?

The purpose of this paper is to provide a complementary perspective to Hamel’s argument. By rescuing the founding fathers of strategy and business policy, the paper demonstrates that the foundation of the new organizational paradigm sought by Hamel is provided by the 20th century theories of management. If we are to evolve the role of management, as Hamel suggests, we must revisit the past and re-establish the theories of management in their original spirit. To rescue the 21st century firm, the 20th century theories of management must be resurrected and amplified with communitarian ideals, thus moving towards a communitarian theory of management.

To support the paper’s objective, the arguments are structured as follows. First, the assumptions of 20th century theories of management will be presented. Second, theories of strategy, organization and leadership will be reviewed – specifically the works of Ackoff (1970), Allison (1971), Andrews (1987), Ansoff (1965), Barnard (1968), Bower (1970), Braybrooke and Lindblom (1963), Chandler (1962), Crozier, M. (1964), Cyert and March (1963), Drucker (1954), Homans (1950), Roethlisberger (1977), Selznick (1957), Simon (1997), and Thompson (1967) – with emphasis on concepts drawn from the social sciences. Third, the management theories will be summarized by way of explicating the antecedents of management failure. Finally, a discussion on the firm’s role in society will lead into the concluding proposition, founded in Selznick’s (1992) work, that a communitarian theory of management is required to rescue the 21st century firm.

**Theoretical Assumptions**

For the 20th century theories of management to remain valid, the roots of the field must be strong. The assumptions made by many of the contributing scholars were based in the social sciences. At the core of their argument was a fundamental belief that human beings are social beings and are similar in their behaviour the world over, as described by Selznick (1992):

[The] sociological perspective is a denial of pre-formed personality, but it is far from a denial of persistent human attributes. To say that humans are social animals is to characterize them in decisive ways. Above all, it is to say that they depend on others for psychological sustenance, including the very constitution of the self, and that this dependency is the source of typical strengths, failings, and strivings. The formation of persons goes on in all human societies and everywhere follows the same basic patterns. (p. 123, emphasis in the original)

Roethlisberger (1977) came to this conclusion through his own experience while teaching the case method at Harvard University. Frustrated in his inability to capture the elusive phenomenon of management, he explained:

I was looking for it in what they were pointing to instead of paying attention to the fingers with which they were pointing... I should have remembered from my days in philosophy that if I kept chasing and trying to integrate all the bloody things people were pointing to, I would be involved in a hopeless mish-mash. But if as Freud, Mao and Pareto told me to do, I kept my eye on the pointing finger, a uniformity might emerge. (p. 132)

Roethlisberger took a non-directive approach to teaching, allowing both him and his students to get closer to the elusive phenomenon of human behaviour in organizations. He implied that practitioners
in organizations were both contributing to and products of the phenomenon trying to be understood. One cannot disassociate the person from the science. The person is the science. The phenomenon is created, analyzed and changed by human beings. To understand organizations and to establish a theory of management, one must begin with the individual.

Barnard (1968) was arguably one of the first to analyze a key function of management – leadership – through the analysis of the individual in society. Although his objective was to articulate the role of the executive, he based his argument in the individual’s need to cooperate with others to achieve a desired goal. Barnard explained that:

…the individual is a single, unique, independent, isolated, whole thing, embodying innumerable forces and materials past and present which are physical, biological and social factors….The primary step in cooperation is to envisage biological characteristics of individuals as limitations which can be overcome by cooperation. (p. 12, 36)

When the individual joins the organization, he does so as a complete individual, creating a complex environment that contains physical, biological, personal and social elements and factors. The formal organization is simply a formal cooperative system, one in which executive functions are required to maintain its existence. At the core of the organization, of the theory of management, is the individual, who contributes to and is also the product of the organization. There is no separation.

Homans’ (1950) view appeals to both Barnard and Roethlisberger’s theories; he too founded his theory in the basic social needs of individuals and how these needs manifest themselves in small groups. Through the observation of individuals, Homans broke down the elements of social behaviour into activity, interaction and sentiment. In his analysis of specific cases, from which he established hypotheses of human group behaviour, Homans summarized that:

…groups are alike because many of the analytical hypotheses apply to all of them; that groups differ in the values of the elements entering the hypotheses and that these values are determined by the “given” factors in the circumstances in which the group is placed and the degree to which these factors permit the internal development of the group. (p. 447, quotations in the original)

Homans’ conclusions purport that the propositions of group behaviour generally hold true but also fluctuate in their intensity based on both the internal and external system of the group. Fundamental attributes of the individual establish a construct, a phenomenon, that contains the behaviour of organization such that certain aspects of human behaviour can be controlled and predicted, although not easily and not always.

It could be argued that over the past thousands of years the human mind has developed and that the social needs of individuals have changed; however, based on Hamel’s (2007) argument, it is only the last century that is in question. This brief review of the assumptions made by the 20th century management scholars suggests that the fundamental concepts still hold true. People continue to participate in cooperative systems to achieve collective goals and groups remain core to society. The behaviour of individuals is the antecedent to group behaviour. Group behaviour is core to organizations. The 20th century management theories founded upon the basic principles of human nature therefore still hold merit and, as such, need to be resurrected and understood for what they were intended to communicate. In the following section, theories of strategy, organization and leadership are discussed.
Strategy

Strategy is a human construction; it must in the long run be responsive to human needs. It must ultimately inspire commitment. It must stir an organization to successful striving against competition. People have to have their hearts in it. (Andrews, 1987: 63)

The concepts of strategy are based on principle notions developed early in the 20th century. Of the more fundamental concepts is the impetus of the organization. Individuals join cooperative systems since, in a group, they can perform more than as separate persons (Barnard, 1968). The cooperative system is the effort of work directed towards a common goal (the ends). The system created by the cooperation is the environment in which the required tasks (the means) are played out. Within this cooperative system, effectiveness is the degree to which the goals are obtained and efficiency is the degree to which the material and social benefits to the individual are obtained (Barnard, 1968: Chapter 5).

Many management theories are based on this acceptance of cooperative systems. Organizations come to exist based on a collective desire of individuals to achieve a particular goal. The collection of effort required to meet the objective demands that the organization (eg. coalition, group, cooperative system) establish a strategy to obtain it. Appreciating that human beings are the antecedents of the organization’s behaviour, strategy therefore has its limitations.

It is only possible to move towards a theory of management by looking at the important concept of decision. Many 20th century scholars established their theories of management using decision as the unit of analysis (eg. Allison, 1971; Andrews, 1987; Braybrooke & Lindblom, 1969; Cyert & March, 1963; Drucker, 1954; Selznick, 1957; Simon, 1997). Simon (1997) indicated that “the series of such decisions which determines behaviour over some stretch of time may be called a strategy” (p. 77, emphasis in the original), while Andrews (1987) argued that:

Corporate strategy is the pattern of decision in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and then nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers, and communities. (p. 13)

Strategy is not a final product; it is a dynamic process that consists of a series of decisions made by human beings. Strategy is limited by the decision making capacity of individuals.

Simon (1997) explained that the goals of the organization are achieved through a series of decisions. The judgment of decisions, however, exists due to the need to “choose factual premises whose truth or falsehood is not definitely known and cannot be determined with certainty with the information and time available for reaching the decision” (Simon, 1997; 60). It is uncertainty of the future that influences the efficiency of the decision. For an organization to be effective, the decision maker must be provided with an environment that bounds his rationality such that he can make the most efficient decision possible under the given circumstances.

Braybrooke and Lindblom (1969) combined philosophy and social science to demonstrate the need for disjointed incrementalism as a strategy of decision. Although applied in a political setting, the authors based their ideas on the individual’s intellectual and moral capacity:
The synoptic ideal is not adapted to man’s limited problem-solving capacities….We sometimes get useful answers from our mental processes when questions are posed that cannot possibly be analyzed in any articulated systematic way…. Yet it is easy to find puzzles and games, some of them simple to arrange, that go beyond the capacity of any man’s mind to solve synoptically. (p. 48-49)

Braybrooke and Lindbloom were debating the value of the synoptic ideal for political reasons, however their strategy of decision was published around the time that the field of management began to evolve from a more holistic to a more analytical approach (Hafsi & Thomas, 2005). Management scholars who founded their theories in the social sciences began to acknowledge the importance of the economic theory of the firm, but also debated the validity through their own theories.

An analytical approach to corporate strategy was provided by Ansoff (1965). He established a practical system of objectives that included not only the traditionalist economic approach but also a long term view of profitability, with consideration of managerial influence. However, Ansoff placed the social objectives as secondary, defining them only as moderators of management behaviour.

Ansoff’s (1965) analysis provided ample room for students of management to take a scientific perspective of corporate strategy, with minimum regard to the social needs of the person or the group. This is not to say that Ansoff’s contribution wasn’t important. He was one of the first to provide a systematic answer to the question: what business should we be in? To this day, his concepts are used and form the base of many other industrial economic theories. Yet this analytical approach opened the door to others who sought to create a scientific field of management far removed from the influence of the social sciences.

Cyert and March (1963) argued that the traditional economic definition of the firm was inadequate in developing a concept of corporate strategy, suggesting that:

Within the firm, information is generated and processed, decisions are made, results are evaluated, and procedures are changed…. If the market completely determined the firm’s economic behaviour, these internal attributes would be little more than irrelevant artefacts. But the market is neither so pervasive, nor so straightforward. The modern firm has some control over the market; it has discretion within the market; it sees the market through an organization filter. (p. 1-2)

Cyert and March (1963) acknowledged that the economic theory of the firm was not meant to answer questions related to a firm’s behaviour, and suggested instead that the theory of the firm was based in a theory of decision making. As others before them, Cyert and March demonstrated that the theory of decision is grounded in the behaviour of individuals, which dictates the constraints and opportunities related to the ways in which organizational goals are achieved. They argued that “any theory of organizational goals must deal successfully with the obvious potential for internal goal conflict inherent in a coalition of diverse individuals and groups” since collectivities do not have goals, only individuals do (Cyert & March, 1963:27).

The question of individual versus organizational goals is one of continued debate. It is questionable if the debate is worthwhile. Cyert & March’s (1963) conflict of the coalition is similar to Barnard’s (1968) concept of individual effectiveness (note: not efficiency). Consider, for example, the individual that cooperates with others to work towards a common goal. The process by which this collective goal is determined is similar to Cyert and March’s negotiation that takes place within a coalition. Eventually goals are established through some social process and are modified dynamically depending on the influence of the group. Either way, both explanations reflect the individual’s need to
cooperate and balance individual needs with group objectives. It is the ongoing balance – the search for equilibrium (Simon, 1997), the attempt to provide enough inducements to the individual such that they contribute towards achieving the objective, the struggle to keep the employee working within his zone of indifference (Barnard, 1968), the effort to bound his rationality (Simon, 1997) – from which formal organizations are born.

**Organization**

The economic theory of the firm states that organizations exist for reasons of efficiency. In response to imperfect market conditions, the firm has come into being by providing a more efficient environment in which to generate profits (Coase, 1937). This focus on the firm as a collection of contracts (Fama, 1980) and as a set of economic transactions (Williamson, 1991) disregards the notion that organizations are, fundamentally, a collection of individuals and that the behaviour of these individuals are the antecedents of the firm’s performance.

Barnard (1968) explained that formal organizations are cooperative systems from which the physical environment has been removed; they are spontaneous, resulting from one person’s effort to organize, spawned by existing organizations or through rebellion. Organizations start with just a few individuals and are limited in growth due to the constraints of communication. Informal organizations are created wherever formal organizations exist. They are mutually dependent and always coexist. The informal organization is often ignored (Barnard, 1968: Part II). The formal organization must have a clear objective and associated inducements to entice the individual to cooperate so that the organization can be maintained. The organization depends entirely on the individual’s willingness to cooperate.

It is not unusual for scholars to use psychological analogies to describe organizations. Selznick (1957) gave the organization character, as if the organization were an individual. He described the organization as the responsive interaction of persons and groups, where patterns are created due to the integration of historical, functional and dynamic forces. Differentiating between routine and critical decision making, he demonstrated how the organization can, through dynamic adaptation (i.e. critical decision), create new character traits and become, over time, institutionalized. This character could become a distinctive competence for the organization.

The informal system may have been ignored in practice, but it was a focus in Crozier’s (1971) study of bureaucracies. He showed that, beyond the routine and formalized processes of supposed efficient bureaucracies, power and uncertainty influenced the behaviour of individuals. It was only through the appreciation of this parallel system – the informal system – was it possible to explain the apparently non-rational behaviour of individuals.

Chandler (1962) demonstrated that organizational structure must reflect the limitations of individuals to deal with complex problems, given the human tendency to focus on the more pressing, urgent issues. Using the case of Dupont and several others, he explained how the multidivisional form came into existence with the introduction of larger, more diversified and geographically dispersed firms. Because executives could no longer handle the complex decisions stemming from diversification, the ‘defect’ ultimately led to the multidivisional structure (p. 299). Although Chandler’s analysis took place during the industrial revolution, when technology began to heavily influence the products themselves, his argument was based in the fundamental characteristics of human beings, not in technology. The multidivisional structure was required to compensate for the human limitations of the corporate executives.

Thompson (1967) provided a conceptual explanation of organizational behaviour. In his book, he explained how uncertainty (a purely human characteristic) is the fundamental problem for complex
organizations and how coping with uncertainty is the essence of the administration process: “The tighter the norms of rationality, the more energy the organization will devote to moving toward certainty” (Thompson, 1967: 159). Organizations establish task environments that can be closed off to the many influences of the external environment, leaving as few inputs and outputs to manage as possible.

Although the first half of Thompson’s (1967) book provided the necessary construct for the theory, it is in the second half where the individual is centrally located in the complex organizational problem. Thompson bases his theory on the assumption that “human action emerges from (1) the interaction of the individual, who brings aspiration, standards and knowledge of beliefs about causation; and (2) the situation, which presents opportunities and constraints” (p. 102, emphasis in the original). Thompson used this definition of human action to build his theory of spheres of action. Organizations, by their very nature, create spheres of action in which individuals operate. The behaviour of individuals, within these spheres, is influenced by both the person and by the organization. The many propositions provided by Thompson demonstrate that, as with the previously discussed theories, social behaviour is core to the arguments.

As with strategy, organizational analysis also suffered from the economic definition of the firm, articulated through the position of the rational actor. Allison (1971) argued that the rational actor view – the classical view – was inadequate because it was partial and incomplete. In a study of the Cuban Missile crisis, he used three methods to analyze the activities leading up to and during the crisis, demonstrating that the rational view alone provided a bare account. By incorporating both the Organizational Process perspective and the Governmental Politics perspective, Allison provided a holistic approach to the study of organizational behaviour. Perhaps the most noteworthy conclusion of Allison’s analysis (as it applies here) is that ultimately, in times of crisis, an organization must look inwards to understand how they arrived at that point, for it’s often the pattern of decisions that brings an organization to the brink of failure.

Bower (1970) shared a conceptual theory on corporate planning and investment that provided insight into the interconnection between strategy and organization. He implied, through his model of the investment process, which he described as definition (technical and economic characteristics), impetus (willing to commit) and context (organizational forces that influence definition and impetus), that everyday decisions had long term impact. Impetus, the point when the investment idea is brought forward, is where the very personal questions are raised and fundamental decisions are made on moving the idea ahead. The technological and economic characteristics of the idea, although important in terms of the definition, are less deterministic than the human influences that move the idea through the organization and to eventual implementation. The third component of the model, context, is the essential, critical element of both structure and strategy that enables the more appropriate organizational decisions to be made. The context, which consists of the systems, processes, procedure, and inducements - all of those components of the organization that entice individuals to behave in ways desired (or not) by the corporation - is given to the organization’s leadership to define and nurture.

Bower, as with the others, brings to bear that strategy occurs within organizations and that both strategy and organization are defined by the capabilities and limitations of individuals. “Politics is not pathology; it is a fact of large organizations” (Bower, 1970: 305).

Given that strategy and organization are influenced by the social behaviour of the individual, how then, is it moderated? How can the firm be sure that it has the right strategy and organization to fulfill the needs to the individuals, to ensure that both efficiency and effectiveness (Barnard, 1968) are achieved? These questions are explored in the following subsection on leadership.
Leadership

A theory of leadership is dependent on a theory of social organization….We are dealing with an activity, with a function, with work done; we can make no more sense of it than is allowed by our understanding of the field within which that activity takes place. (Selznick, 1957; 23, 25)

Hamel (2007) argues that innovation in management will create competitive advantage, rather than innovation in operations, products and strategies. Although this point is not under dispute, given that he is arguing for a new theory of management, he implies that the scholars discussed above have suggested something other than innovation. Yet it is worth considering that the theories proposed thus far in fact depend on innovation; it is innovative analysis that will provide insightful understanding of the human condition and innovative practice that will allow for a creative balance between means and ends.

Barnard’s essay, *The Function of the Executive* (1968), concluded with a detailed review of administration and leadership. Explaining that executive functions come to exist as soon as two individuals are brought together, he argued that these functions are not a choice, rather they come into existence as a result of the cooperative systems. The essential executive functions are “first, to provide the system of communication; second, to promote the securing of essential efforts; and, third, to formulate and define purpose” (p. 217) all in an effort to maintain the organization. These functions are to be fulfilled through an executive process, a leadership process that has, at its core, an aspect of responsibility. Barnard defines this responsibility as “the property of an individual by which whatever morality exists in him becomes effective in conduct” (p. 267, emphasis in the original). The executive, as he climbs higher in the organization, is faced with an increasing amount of moral conflicts, and therefore the process of making decision – morally and technically – becomes more and more complex. The role of the leader is demanding. He is required to not only be adept in the social aspects of individuals, as it relates to strategy and organization, but also deal with his own morality, and potential conflicts, which play out in the ongoing struggle of prioritization of moral codes and their relation to the decision he must make. The process of executive leadership is a social process and one that requires innovation.

Simon (1997) suggested that administrators be trained in the broader field of the social sciences, given the work of the administrator:

...involves (1) decisions about the organization structure and (2) the broader decisions as to the content of the organization’s work… The former must be firmly grounded in the organization’s technology. The latter must be founded in the organization’s technology and requires in addition (a) a thorough appreciation of the theory of efficiency and (b) knowledge of those aspects of the social sciences which are relevant to the broader purposes of the organization. (p. 327)

Along with Simon, Selznick’s (1957) sociological interpretation of leadership placed great responsibility on the shoulders of leaders, holding them to infuse the organization with value until it becomes a valuable institution within society. Leaders need to be creative in the “institutional embodiment of purpose” (p. 62) and in strategic and tactical planning, especially for the purposes of change and reconstruction. At the core of leadership are the critical management functions of strategy and organization, displayed by the avoidance of opportunism and utopianism. The default of leadership occurs when leaders fail to set goals, goals are superficially accepted, efficiency becomes the criterion of success or when leadership becomes interpersonal.
Case studies often provide good examples of the default of leadership. Crozier (1971) showed that the highly bureaucratic organizations, characterized by centralized decision making and impersonal rules, have a highly rigid environment joined by parallel systems of human causation. In such bureaucracies, leadership of the formal organization has been worked out of the system, leaving the power within the informal system and the behaviour of the organization at the mercy of external and internal individual norms and beliefs.

At Dupont, leaders were drawn into the vices of opportunism and utopianism, blinding them to the needs of the ever expanding organization and its strategy (Chandler, 1962). The executives’ temptation to focus on efficiency through the operational matters at hand, led to their neglect of the critical decisions required of them.

These case studies suggest that leadership moderates the success of a strategy within the organization. The need for executive administration exists regardless of whether or not a leader is assigned. If leaders choose to focus on the critical decisions of the organization and do so responsibly and with integrity, then maintaining the organization is possible. By defaulting on those responsibilities, failure can occur.

Assuming that most executives wish to succeed, competency, in addition to innovation, is needed. Andrews (1987) suggested that the critical taskmaster must go beyond the achievement of planned results and focus on the “creative maintenance and development of the organized capability that makes achievement possible” (p. 4) and cautioned that “no amount of personal integrity is sufficient without competence in organization leadership” (p. 5). Competence in organization leadership includes the process of defining and implementing strategy (through organization).

Competence in organization leadership was well explained by Bower (1970), through his concept of structural context:

Top management should use structure to influence those organizational forces that shape the technical and political processes at lower levels of the organization. Ignoring the impact on planning and investment of structural context is a sure-fire way of getting into serious problems. (p. 304-305)

Leadership demands creativity and innovation both in establishing a corporate strategy and in creating and maintaining the required organization. It is a complex function – one that appears more and more challenging to fulfill, especially for the large, complex firm of the 21st century.

Antecedents of Failure

The holistic theories of management – of strategy, organization and leadership – are founded in the social sciences. They are still valid in the 21st century. The social needs of human beings have not changed and therefore the behaviour of individuals, in groups, is relatively constant. But as Hamel points out, 21st century firms are struggling. If these theories are still valid, then why are certain firms imploding and why are they incapable of managing their way out?

It is argued that the leaders of the late 20th and early 21st century have been so consumed with the economic definition of the firm that they have been unable to respect the theories of management that go beyond this definition. The behaviour of leaders and the decisions they make bring about crisis in organizations. In an effort to describe the antecedents of failure, using the 20th century classical management theories, the following arguments are proposed:
1. When leaders manage their business as a collection of contracts, as a simple extension of the market, they mistakenly believe that firms operate with perfect knowledge and deny the need for organizational goals and the impact of organizational expectations and choice (Cyert & March, 1963).

2. When leaders focus on short-term versus long-term objectives, they make short-sighted decisions and leave the future leaders ill-equipped for what lies ahead (Drucker, 1954).

3. When leaders acknowledge only the formal organization, they ignore the degree to which the informal organization influences individual efficiency (Barnard, 1968).

4. When leaders treat the organization as a collection of individuals, they destroy group life and leave individuals feeling emotionally isolated (Homans, 1950).

5. When leaders define strategy at the highest place in the organization, they are blind to the effect that everyday decisions have on their organization and ignore the power of the structural context to ensure that the right decisions are made (Bower, 1970).

6. When leaders use only rational explanations to analyze the organization’s history, in order to build the future, they deny the effect of organizational process and corporate politics on the firm’s behaviour and capabilities (Allison, 1971).

7. When leaders pursue one singular comprehensive strategy for the firm, they waste considerable time trying to achieve the unachievable, while the rest of organization continues to make incremental decisions that will establish a strategy by default (Braybrooke & Lindblom, 1969).

8. When leaders place unreasonable faith in the decision making capacity of the individual, they disrespect the limits of the human mind and ignore the systematic ways in which organizations can be structured to bound rationality and provide a safer path to decision making (Simon, 1997; Chandler, 1962; Thompson, 1967).

9. When leaders under-appreciate the power behind an organizational structure, and either define it too loosely or change it too often, they expand the field of uncertainty and reduce organizational efficiency (Bower, 1970).

10. When leaders place too great a focus on effectiveness and build an organization around inflexible routines and procedures, they risk the displacement of goals, create problems of control and supervision and cause concerns over personal privilege (Crozier, 1971).

11. If leaders consider the firm a closed system and protect their task environment with a healthy buffer of supporting functions, they are providing a necessary amount of certainty (Thompson, 1967) but to do so in ignorance of the firm’s role in society is to ignore the firm’s fundamental responsibility (Selznick, 1957).

12. If leaders accept the minimum of their organization, if satisficing is well enough, they lack innovation and aspiration in their planning, and fail in their responsibility (Ackoff, 1969).

13. When leaders believe that there is only one job of management – to manage the business – they gravely ignore that “managing managers and managing workers and work have primacy because society is not an economic institution and is therefore vitally interested in these two areas of management in which basic social beliefs and aims are being realized” (Drucker, 1954: 16-17)
To the practitioner, this list of potential failures may be prescriptively thin. This is understandable as these issues are at the core of management theory, a core so deep and to some, so intuitive, that it is often unseen, misunderstood or ignored. A critical look may demonstrate, however, that the failure of firms can be attributed to a failure of organization leadership (Andrews, 1987).

It would be easy to blame the leaders of the 21st century for their inability to manage today’s complex organizations, for the simple reason that some leaders have, in fact, been successful. Yet to do so would be to neglect the critical point made by the theories of management previously discussed: management is a human activity. The ability to manage effectively is limited by the capacity of the individual. To expect all leaders to meet the unrelenting economic expectations of the market, and by extension society, would be to neglect the limitations of society in general. A piece of the puzzle is missing.

**Society and Community**

Theories of management are concerned with the theory of the firm. The ultimate question is “why does the firm succeed”? Success is often attributed to characteristics of the firm or the industry to which it belongs. Naturally, failure points to the same aspects. Typically, leaders receive most of the credit and much of the blame. The behaviour of society participates and supports this approach. Well intentioned individuals send mixed messages to corporate leaders: as investors they demand high financial returns yet as members of society they demand socially responsible behaviour. Corporate leaders are expected to be all things to all people. Leaders will naturally gravitate to the most pressing and high priority issues, which equates to a short-term economic focus. Leaders are given little leeway to build long-term strategy; they have neither the time nor the inclination to lead their corporations in the fashion that the 20th century scholars have suggested.

Should leaders be blamed for their behaviour given the influence of society? Leaders have been given the complete burden for the behaviour of their firm, while the rest of society stands back in judgment. Is this appropriate or are the failings of leadership in the 21st century firm the responsibility of all members of society? Who is responsible to whom?

The responsibility of the institution within society is not a new concept. Barnard (1968) touched upon the influence of society in his discussion about moral codes. The complexity of moral codes exists within individuals because of the many roles assigned and the multitude of organizations to which each belongs. Given that inducements are required to encourage the individual to cooperate within an organization, alignment of moral codes is critical. The competition between organizations for an individual’s participation should lead to a commonality of moral codes over time, suggesting that a process of institutionalization takes place. Thus it can be deduced that Barnard’s cooperative system is not separate from society, rather it is society.

Homans (1950) argued that society never dissolves beyond the small group, yet he cautioned that although groups can produce a surplus of goods such as morale, leadership and cooperation, which fuels growth in civilization, that very growth can destroy the small group and leave individuals emotionally isolated. It is this surplus of goods that organizations take advantage of, as all firms are ultimately a collection of groups. Given that organization is a collection of small groups and an entity eager to grow, it behaves as society behaves, with its own rules, norms and beliefs, suggesting that organization is society.
Selznick (1957) focused entirely on the role of the organization within society, demonstrating how the process of institutionalization occurs:

An “institution” … is more nearly a natural product of social needs and pressures – a responsive, adaptive organism…. Organizations become institutions as they are infused with value, that is, prized not as tools alone but as sources of direct personal gratification and vehicles of group integration. (p. 5, 40; emphasis in the original)

Perhaps what is most noteworthy about Selznick’s (1957) essay on leadership is his assumption that organizations must evolve into institutions to be valuable to society. He suggested that organizations that never undergo the transition are expendable. Institutions are thus positioned as society within organization.

Andrews (1987) raised concern that corporations that focus solely on the financial interests of the shareholders naturally subordinate ethical concern. Andrews believed that:

Special satisfactions and prestige, if not economic rewards, are available for companies that are not merely adaptive but take the lead in shaping the moral and ethical environment within which their primary economic function is performed…. The strategically directed company then will have a strategy for support of community institutions as explicit as its economic strategy and as its decision about the kind of organization it intends to be and the kind of people it intends to attract to its membership. (p. 76-77)

Drucker (1954) considered management’s top priority to be the public responsibility of the firm, a responsibility that underlies all behaviour and furnishes the ethics of management. Managers’ responsibility to society is to operate at a profit and grow, and to make sure of tomorrow’s management, but managers are not to undermine social beliefs and cohesion. Management should be restricted to areas in which leaders can legitimately claim authority, and managers should claim what is genuinely in the public good to become the enterprise’s own self-interest.

The management theories of the 20th century clearly support the argument that the role of the firm goes far beyond the economic duty of generating profit and growth. The firm fulfills an important role in upholding and advancing societal norms.

A Communitarian Theory of Management

It has been shown that the 20th century theories of management are defined by the human condition: strategy and organization are both supported and challenged by the social behaviour of individuals. Leaders must manage these challenges through creativity and transform their organizations into valuable institutions. It has become difficult for leaders to succeed, given the growing emphasis on financial results. Hamel (2007) suggests management innovation is the answer, but this approach places even greater demands on society’s struggling leaders. Is it possible, therefore, that the responsibility must be shared? Is it time to consider a communitarian theory of management?

Selznick (1992) took great effort to describe communitarianism in *The Moral Commonwealth*, summarized as follows. The doctrine is built upon a theory of community, where community is defined as the place in which one finds all of their social relationships. The community emerges when there is an opportunity and desire for comprehensive interaction, commitment and responsibility. Communities provide settings within which people grow and flourish and within which subgroups are nourished and
protected. The key values of community are historicity, identity, mutuality plurality, autonomy, participation and integration. The moral quality of the community is its ability to define the chief values at stake, hold them in tension as necessary, and to encourage their refinement and elaboration. The type of community can be negotiated, as it is characterized by structural differentiation as well as by shared consciousness. Participation is mediated by participation in families, localities, personal networks and institutions. Ultimately, the community is where ordinary social life goes forward and the function is to reconcile the parts with the whole; it is profoundly federalist in spirit and structure. Institutions in community are the chief agencies and most reliable safeguards of community; community is a network of distinct but interdependent institutions (Selznick, 1992: Chapter 13).

Selznick (1992) provides the missing piece of the puzzle. All members of society must take a vested interest in supporting the leaders of the institutions that are so profoundly important to the present and the future. It is only half the solution to demand that leaders of organizations use innovative management techniques; the communities in which these institutions operate must also actively support these leaders in this quest. Instead of simply expecting or allowing leaders to lead, a communitarian theory of management requires a partnership of interdependence throughout the community. Firms must open their doors to the values of society, transparently supporting what is good and just. In turn, the community must provide support by understanding the challenges firms face to balance short term needs with long term objectives. This is not to say that the community must allow the institutions to do whatever they please. Rather, institutions must prove their worth to society by engaging with other influential institutions in the community. Institutions must continually work towards representing the values of the society and the community to which they belong. This responsibility extends beyond the leaders to all members of the community who have core or segmental participation (Selznick, 1992).

A communitarian theory of management is based in the management theories of the 20th century. It need not deviate. It simply must extrapolate the responsibility of the firm into the community itself and hold all accountable for the success or failure of the institution. Should an institution eventually disappear, it should be through deliberate efforts of the community based on an overarching belief that the institution has either served its purpose and is no longer required, or because it is damaging the life blood of the very community it serves. Innovative management is not something that firms need to do. Innovative management is indeed required, but it must begin and end with the community at large, in which the institutions play a vital role.

References


