

THE KYOTO UNIVERSITY ECONOMIC REVIEW

MEMOIRS OF THE FACULTY OF ECONOMICS

KYOTO UNIVERSITY

VOL. LXI, NO. 2

OCTOBER 1991

WHOLE NO. 131

CONTENTS

Chester Barnard and his Images of Organization

Haruki IINO

German Capitalism and the Position of Automobile

Industry between the Two World Wars (2)

Yuji NISHIMUTA 15

The Great Depression and Rural Development in Japan

**—On the Public Works Program for Relief to
Farmers in 1930s—**

Tomohiro OKADA 29

PUBLISHED BY

THE FACULTY OF ECONOMICS, KYOTO UNIVERSITY

SAKYO-KU, KYOTO, JAPAN

THE KYOTO UNIVERSITY ECONOMIC REVIEW

MEMOIRS OF THE FACULTY OF ECONOMICS
KYOTO UNIVERSITY

VOLUME LXI NUMBER 2 (OCTOBER 1991) WHOLE NUMBER 131

CHESTER BARNARD AND HIS IMAGES OF ORGANIZATION

By Haruki IINO*

Foreword

When he was asked to evaluate the New Deal, Chester I. Barnard (1886-1961) confined his use of the term 'New Deal' to the remarks he made to talk about the fact to having been asked to give his talk. He gave his lecture and put that lecture into print without making any reference to concrete phenomena relating to that particular term.

If he were to be asked now to comment on the amazing series of abrupt changes that recently took place in the Soviet Union and the East European countries, he would probably attempt at reviewing those changes, as he did the last time, in a more general way as a question of 'individualism and collectivism', rather than commenting on them as the questions of 'capitalism vs. socialism' or 'free economy vs. planned economy' as seen from the point of view of economics, giving some concrete exam-

* Professor, Faculty of Economics, Kyoto University.

1) "Collectivism and Individualism in Industrial Management," 1934, in *Philosophy for Managers: Selected Papers of Chester I. Barnard*, edited by W. Wolf and H. Iino. The title of its Japanese translation is *KEIEISHA NO TETSUGAKU*, done under the supervision of H. Iino. Both, the original and its translation, were published by Bunshindo in 1986 in commemoration of the centenary of Barnard's birth. (Hereinafter, this collection of papers will be abbreviated as *Philosophy*.)

ples. Being a person of his character, he might say, "Would you just read that paper I wrote at that time, 'Collectivism and Individualism in Industrial Management, 1934¹⁾'?"

From a point of view of a theory of organization, it may be said that, be it New Deal or socialism, there exists behind it the basic question of conflict and integration of 'individualism and collectivism' or of 'free will and determinism.' It was, in fact, the question that Barnard kept on considering throughout his life. Whether to construct a general theory of organization on the basis of a part (individual) or a whole (system, organization, state), or to conduct government, administration, management and operation placing emphasis on either of the above-mentioned two, individual or whole? What continues to be an eternally important question is "how to maintain a balance between the two ... individual or whole."

The author believes that it would be of reasonable value to discuss, from the point of view as described above, the transitions of Barnard's images of organization throughout his life, the man who is called the founder of the Modern Organization Theory. The statements to follow are made in the order of: I. Up to the time around the publication of Barnard's main work, *The Functions of the Executive* (hereinafter to be referred to as *The Functions*); II. Around the time when he wrote his 1943 paper classifying the organizations into 'scalar organization' and 'lateral organization'; III. Around the time he wrote his 1950 paper asserting 'giving priority to responsibility'; and IV. Around the time he wrote his 1955 paper on 'business morals.'

I

According to Barnard's recollections²⁾, he was a complete individualist until the day he finished his school life. For a while after he found employment at the AT&T, a giant monopolistic enterprise, Barnard was overwhelmed by the enormous power of an organization and was made to realize the existence of collectivism. Around that time, he seems to have had the image that "organization is a hierarchical structure of jobs." In fact, in his *Philosophy*, one finds an expression, such as, "..... to regard organization in the nature of a tool or machine.....³⁾" By and by, Barnard, as a manager, comes to acutely realize the need of integrating organization with individuals and writes: "..... one and perhaps the most vital of all problems of human life is how effectively to develop and how practically to harmonize two principles of life which in isolation seem to be utterly opposed ... the one, systematic arrangements of human affairs, cooperation, organization, regimentation, collectivity;

2) Refer to Barnard's 1934 paper mentioned above.

3) *Philosophy*, p. 17

4) *Ibid.*, p. 12

and the other the dynamic individual.⁴⁾ Outside his company, too, Barnard, as State Director of the New Jersey Emergency Relief Administration after the Great Depression, experienced through his work the dynamism of organizations as it was.

In 1938, when he was president of the New Jersey Bell Telephone Company, Barnard published *The Functions of the Executive*, the classical work in the theory of organization, the book that made his name long remembered in the academic field. The theory of organization discussed in this book was the very first of theories of organization 'with a human face,' and represented an attempt at changing the theory of organization structure, a hierarchical exposition, into one that is more dynamic by placing 'human beings' at the starting point.

In writing *The Functions*, Barnard says, he noticed that "if these functions (of the executive) are to be adequately described, the description must be in terms of the nature of organization itself.⁵⁾" So saying, he rejected the empirical statements based on arbitrary classification of managerial functions or managerial processes, such as those done in the past. In order to reach the substance of organization, Barnard developed the theories of human beings (individuals and persons) and cooperation and demonstrated how the two standpoints worked ... 'individualism and collectivism' and 'free will and determinism.' In that theory of organization, Barnard said that, in addition to the structural theory of organization, 'a new theory of organization containing both the organization structure and the dynamic nature of organization should have been constructed⁶⁾. His definition of (formal) organization, that is, "a system of consciously coordinated activities or forces of two or more persons,⁷⁾" has since become a model of definition of organization. Thus, organization as a system of human behaviors has come to replace organization as a mechanism of jobs. If the former were to be named 'organization', then, the latter may be called 'organization structure'.

The reason why Barnard adopted such a definition as mentioned above for 'organization' was for him to explain the managerial functions that exist universally in all sorts of cooperative activities conducted by human beings. What takes charge of the management of the cooperative system is a system called 'organization' comprising solely the human activities, the system that remains after excluding from the cooperative system (the systems of) its triple components, Things, Money and Man. The viewpoint here is set not on the (cooperative) system on the level of business enterprises and churches but on the (sub-) system called 'organization.' That, in fact, is why the theoretical composition of *The Functions* has sometimes been charac-

5) C.I. Barnard, *The Functions of the Executive*, 1938, Preface, vii. Its Japanese translation, done by Yamamoto, Tasugi and Iino and titled *KEIEISHA NO YAKUWARI* has been published by Diamond Publishing Co.

6) C.I. Barnard, *Organization and Management*, 1948, p. 111. (This collection of papers will hereinafter be abbreviated as *O & M*).

7) *The Functions*, p. 73.

terized as a 'organizational management theory' or 'management theory on the basis of organization theory.' Therefore, if one were to confine himself to studying the subjects of 'business enterprise' which is merely one of the many cooperative systems, or to remain within the framework of the traditional 'business economics or *Betriebswirtschaftslehre*' which makes economic studies of enterprises as economic units, I am afraid it would not be so productive for him to read *The Functions*, however thoroughly he may read it. As long as one takes a viewpoint as described above, his understanding or criticism of the Barnard theory would not be persuasive at least for the present author. Barnard's definition⁸⁾ of 'system,' the definition that still remains effective today, and his other assertions such as his multilayered, hierarchical or vertical grasp⁹⁾ of the 'system,' ...these, I believe, should never be ignored either.

At the stage of writing *The Functions*, Barnard brought dynamism to the traditional theory of organization structure by relating the individuals as decision-makers possessing free will and the power of choice to the site of organization in an appropriate manner. As can be seen from the fact that Barnard, within the framework of *The Functions*, made extensions, expansions and additions, it is appropriate to say

8) "A system is something which must be treated as a whole because each part is related to every other part included in it in a significant way." *The Functions*, p. 77.

9) There is a hierarchical nature in the 'system' the larger or the upper system (suprasystem), the system and the smaller or the lower system (subsystem). Any system has its own characteristics as indicated by its definition. Depending on the way the interest or the focus is set, the position or the level of the system shifts. For example, the system called 'national economy' has a suprasystem called 'world economy' and a number of subsystems including the 'business enterprises.' Supposing the focus is set on the 'enterprises' as a subsystem, this would now become the system for which the 'national economy' would become the suprasystem and the 'organizations' and others, the subsystems. Furthermore, if one were to select 'organization' as the subject of study, then, the system called 'enterprise' would be regarded as a suprasystem and 'individuals' a subsystem.

When studying a system, it would be sufficient for us to have a hypothesis as to its subsystem. When studying the national economy, it would be quite enough to regard the enterprise, a subsystem, as an economic unit that pursues maximum profits. However, it certainly would be inappropriate if a student of business administration, who is supposed to study the enterprise on the level of the system itself, were to carelessly swallow such a hypothesis concerning the enterprise as a subsystem.

In studying the 'organization,' the human beings as its subsystem may well be expressed by such hypotheses as an economic man, a social man, a self-actualizing man and a whole man. However, the psychologists who treat the human beings as a system may criticize or even sneer at the human hypothesis or the view of human beings adopted by organization theorists as something extremely unrealistic. Yet, there actually would be nothing we could do but to endure such criticisms.

It will be inappropriate if anyone whose viewpoint is fixed on the level of enterprise or cooperative system should criticize 'management theory on the basis of organization theory' which has its viewpoint set on the formal organization as a system.

that, in that stage, he brought dynamism to the traditional theory. For example, while using the acceptance theory of authority to deal with the hierarchical organization as a system of authority¹⁰⁾, Barnard later reflected upon himself that so long as he was treating the question of authority, he ought to have discussed more important subjects such as the contents of responsibilities, the relations between authority and responsibility¹¹⁾. In *The Functions*, Barnard discussed the formal and informal organizations, but soon afterwards, he classified the formal organizations into scalar and lateral organizations¹²⁾. He regretted his omission of the status systems¹³⁾, and, in his paper on business morals¹⁴⁾, amplified his references to include such subjects as morals, responsibilities and organizational cultures which he took up in Chapter 17 of *The Functions*. It may be said that, in these facts, one can find discussions on the 'transition of images of organization' which is the main theme of this present paper.

II

For a while after the publication of his *The Functions*, Barnard continued his writing, refuting criticisms of his book, or discussing on the democratic process on the basis of the framework of *The Functions*. But during World War II, he devoted himself to his duties as national president of the USO while concurrently holding the presidency of the telephone company¹⁵⁾. Because most of his time was devoted to his duties at the USO, this period (1942-45) turned out to be relatively unproductive as far as his writing activities were concerned. However, thanks to experiences he gained during this period, Barnard was able to further deepen his observation of the moral and value aspects of organizations, especially with regard to such themes as

- 10) Barnard's theory of organization is regarded as 'from bottom to top' or 'upward' and the theory of bureaucratic organization may be considered as having its characteristics in its being a theory of vertical organization 'from top to bottom' or 'downward.' As to the source of authority, too, Barnard presented an acceptance theory of authority as against the theory of superior authority which is characteristic of bureaucratic organization. Such a view of organization and that of authority, as well as the four characteristics cited hereunder, are extremely contrastive and interesting. In such points, too, there seems to exist a prospect for organization theory. "The recent changes taking place in East Europe shows the end of the mechanisms we have known over the years, viz., the communism, that is, centrally-planned economy, authoritarian state, single-party control and subordination of citizen." (from the remarks made by the editor-in-chief of the British Communist Party organ, as quoted by *The Mainichi Newspaper* in its Nov. 28, 1989 morning issue).
- 11) Preface in p. 36 of the Japanese version of *The Functions of the Executive*.
C.I. Barnard, "Book Review of *Bureaucracy in a Democracy* by Charles S. Hyneman," 1950, in *Philosophy*.
- 12) C.I. Barnard, "On Planning for World Government," 1943, in *O & M*.
- 13) C.I. Barnard, "Functions and Pathology of Status Systems in Formal Organizations," 1945, in *O & M*.
- 14) C.I. Barnard, "Elementary Conditions of Business Morals," in *Philosophy*.
- 15) Please refer to this author's *Barnard Kenkyu (A Study of C.I. Barnard)*, Bunshindo, 1978, Chapter 1.

'responsibility without authority' and 'business morals,' which the author plans to discuss in the following Chapter. And it was during this period that the printing was done of the 1943 paper which will be dealt with in this Chapter (refer to Footnote 12).

The United Service Organizations, Inc. was engaged in the activities of comforting and assisting the American soldiers and civilian military-personnel taking part, both at home and abroad, in the Second World War. The USO was actually a federation made up of the following six autonomous organizations; the Young Men's Christian Association, the Young Women's Christian Association, The National Catholic Community Service, the Salvation Army, the National Jewish Welfare Board and the National Travelers Aid Association. Moreover the USO was actually a group of volunteers. It was not a 'scalar organization' like the AT&T which consisted mainly of employees. Hence, there inevitably arose the idea of 'lateral organization' out of the need for coordination among independent organizations. Besides, for the many volunteers who were working not for wages but on their own free will in their desire to offer social services without compensation, nothing would have been more essential than to offer moral persuasions without the use of authority. The experiences that Barnard gained at the USO were most significant to him in perfecting his system of theories on organization, the system further developed since his publication of *The Functions*.

Possibly because of the success of his *The Functions* and his remarkable activities at the USO, Barnard came to be widely sought after as an outstanding authority on the theories of organization and of management and to be asked to comment, with the wisdom of a practitioner, on the questions of world government or world organization after World War II. Thus published was his 1943 paper entitled "On Planning for World Government," which was an outcome of his remarks made at the September 1943 Symposium.

Warning against taking an optimistic view of such a type of planning as mentioned above, Barnard says that the purpose of this paper is "to discuss limitations of social and political planning." He further says that, while "many men have aspired to make sure of good social organization by design," its reason would be any one of the following; "they have recently been impressed, perhaps, with the extent and success of planning on the small scale, or have been intrigued with planning on the large scale as attributed to the totalitarian governments, or they have accepted socialist or communist doctrines in which the feasibility of successful large-scale planning is a basic assumption.¹⁶⁾"

Thus, Barnard says that planning of complex, large-scale social systems is difficult and points out further that, as the structural aspect of organization that needs to be considered in carrying out the planning, there can be, along with statements concerning informal organization, two types of principles of composition of formal organization known as scalar and lateral. In retrospect, the former remarks could

16) *O & M*, p. 135.

have been those suggesting a deadlocking of a centralized planned economy¹⁷⁾, while the latter assertion could be one that points out the problems in the bureaucratic hierarchical organization.

Since this paper concerns the images of organizations, let us not go into further details about the question of planning itself but instead confine our observations to the structural aspects of organizations which provide a basis for social planning.

Barnard classifies the formal organizations into two distinguishable types; the 'lateral organizations' which can be composed through a free agreement and the 'scalar organizations' which are "vertical, articulated, hierarchical and scalar." If their main characteristics were to be quoted, they would be as follows¹⁸⁾.

A system of cooperative efforts established and maintained by written or oral contract or by treaty (*i.e.*, lateral organization) is an organization in which the duty of command and the desire to obey are essentially absent. It is nonauthoritarian organization. The primary integration of such an organization is horizontal or lateral. (On the other hand, the scalar organizations) are fundamentally authoritarian. In most of them, individuals, it is true, come into them by agreement, but the relationship between subordinate parts and between individuals when operating in them are controlled not by "considerations" fixed as in contracts but by prescriptions to be changed as circumstances may require "for the good of the organization." The primary integration of scalar organization is vertical..... Formal relations between parts on the same level, *i.e.*, lateral coordination, are in principle determined by command or instruction, not by agreement. All persons participating are bound together in the accomplishment of common purposes or aims of the organization which are not personal..... The essence of scalar organization, on the other hand, is coordination of the whole through centralized authority.

Barnard, rather than going into concrete discussions of the very planning of a world government, makes a detailed comparative study of merits and demerits of the two principles of organizing, the principles which are to be the basis of such planning. It may perhaps be sensible to regard the lateral organization as being more advantageous on the grounds that a world government would normally consist of a group of sovereign nations. However, Barnard says that, after all, "the considerations set forth in contrasting hierarchical and lateral organizations relate essentially to the main political problems of our times ... the choice between totalitarianism and free societies.¹⁹⁾"

17) There is interesting literature concerning (limitations of) planning and 'planning and freedom.' Please refer to "A Review of Barbara Wooton's *Freedom under Planning*" which is included in Chapter 7 of *O & M*.

18) *O & M*, pp. 150-160.

19) *O & M*, Preface, viii. This Preface was written in 1947.

Incidentally, in *The Functions* which had been published five years before the above-quoted paper, no such classification was made of formal organization. Organization discussed there was essentially a scalar type. Even so, what Barnard said about the formal organization in the paper was not of such force as to urge an alteration in *The Functions*. The definition of 'formal organization' is applicable to both the lateral and scalar organizations, and the organizations which are considered as scalar organizations are also premised on the (lateral) participation in the organization by individuals with free will under a free agreement. Furthermore, the discussions on individuals are followed by those on component factors, such as, from 'unit organizations' to 'complex organizations' and then, from the complex organizations as individual organizations to 'inter-organizational relations' as the combination of complex organizations, and further on to the 'international' combinations. Therefore, even within the framework as it is of *The Functions*, it is perfectly possible to consider the lateral organizations, which are characterized by free agreements, with regard to each of the above-mentioned stages of lateral organizations. However, the very fact that Barnard expressly adopted the new concept of 'lateral' represented an important step forward in the transition process of his view of organization, in that the concept further emphasized such existing concepts as agreement, freedom or free will.

III

After serving as president of the USO, Barnard from 1948 to 1952 took charge of management and operation of the Rockefeller Foundation. In addition to the active role he played in the field of medicine, remarkable contributions were made by him in offering financial assistance to scholars specializing in humanities and social sciences. Here again, Barnard must have been involved in management and operations in which he had to rely on such concepts as 'responsibility without authority' and 'moral persuasions.'

In 1950, during the above-mentioned period of his presidency at the Rockefeller Foundation, Barnard wrote his Book Review of Charles S. Hyneman's *Bureaucracy in Democracy*²⁰⁾ and clarified his view of organization that 'gives priority to responsibility,' a condensation of his practices in organizations in the later years of his life. This view is one that contrasts with the view that 'gives priority to authority' and, if 'giving priority to authority' were an idea based on scalar organization and one that gives importance to vertical relationship, then, 'giving priority to responsibility' would be an idea based on lateral organization and therefore, may be considered as

20) Already mentioned in Note 11.

one that expresses horizontal or lateral relationships between autonomous groups²¹⁾. Here, we must focus our attention on the image of organization that lies behind it²²⁾.

In the conventional theory of organization structure, authority and responsibility correspond with each other and are said to be commensurate with each other. When authority is delegated from above, the person in a subordinate position would have to bear responsibility that is equal in volume to the authority entrusted to him. This is a common sense that is completely undeniable. However, if you make a detailed study of literature on theories of organization, you would find that there are disputants who put responsibility before authority in giving an explanation on relations between the two, such as, "responsibility and authority correspond with each other." Such people say that, in order for one to carry out his responsibility, he should be given an equal amount of authority.

Going a step forward, Barnard contends that responsibility and authority are not always commensurate with each other; sometimes, he says, the responsibility requires to be carried out even without authority. He writes: ".....most of the work of formal organizations is accomplished under responsibility without authority, or in excess of authority, or without use of or reliance upon authority. Responsibility and authority are not unrelated, but that they are 'commensurate' is contrary to experience and observation." "..... experienced and effective administrators prefer generally not to use authority. Perhaps the most important reason for this reluctance is that to get things done by command *relieves* the subordinate of responsibility and restricts intelligent freedom of action. In many instances wise men prefer to discharge responsibilities with no authority whatever in order to impose complete responsibility."²³⁾

Regarding the origin of such a view as outlined above, the view that the author has named the 'theory that gives priority to responsibility,' the author once explained as follows. The author thinks that, even today, he can cite the explanation as it originally was.

It seems that the key to the understanding of the meaning of the theory

21) Barnard emphasizes that it must be understood that "if any collection of individuals is formed into a group, it is very largely autonomous....." (W.B. Wolf, *Conversations with Chester I. Barnard*, pp. 29-30.)

22) The author has already emphasized that the 'theory that gives priority to responsibility' should be grasped in the transitional process of the view of organization (the author's *Barnard Kenkyu*, particularly its Chapters 8 and 9). The 'theory that gives priority to responsibility,' the author believes, should be grasped in the processes of transitions..... from the theory of structure of organization that centers on jobs to the theory of organization that centers on human behaviors, or from the standpoint that gives importance to the whole to that which respect human beings (individuals).

23) *Philosophy*, p. 152

that gives priority to responsibility and of Barnard's criticism of the principle of parity of authority and responsibility can be found in the very fact that a person like Barnard, in order to explain the actual behaviors of administrators, considers the formal organizations from a moral point of view rather than from legal, political or economic point of view. In other words, responsibility is given priority when one adopts the view of organizations as living systems with 'flesh and blood' rather than as 'skeletal' systems.

The grounds for the theory that gives priority to responsibility as referred to by Barnard may be summarized as follows:

- (1) As a result of increase in the extent of specialization, mutual-dependence relationships have been strengthened and reliability, or self-governing responsible behaviors, have come to be sought more and more.
- (2) A formal organization is a social system and is an autonomous moral institution.
- (3) Dependence on legal and formal factors and disregard of moral factors of organization put authority in a central position and exclude the main subject of responsibility.
- (4) The above is shown by the experience and observations in the practice of management and operation.

There probably will be no need to stress that, through the above, one perceives the underlying views of human beings and of organizations of Barnard's that are unique to him²⁴⁾.

IV

As can be seen from the foregoing overview, Barnard's image of organization has ~~inclined increasingly towards attaching importance to human beings (individuals) as~~ he approached the final years of his life. In other words, if we were to set 'collectivism' against 'individualism' and 'determinism' against 'free will', we notice that, in the case of Barnard, the balance tips towards the latter in both contrapositions. Since cutting off either one of the two sides would be un-Barnard way of thinking, it would probably be appropriate to use the expression 'balance.' Similar contrapositions may be possible on many other items as well. But in any of such contrapositions, one notes that the latter always outweighs the former. If such contrapositions were to be given here at random as they come to the author's mind, they would be as follows: structure and dynamics, formal organization and informal organization, the whole and a part, complex organization and unit organization, formal authority theory and acceptance theory of authority, upper and lower, vertical and horizontal, scalar organizations and lateral organizations, giving priority to authority and giving priority to responsibility, and finally, the following contrapositions which should rela-

24) *Barnard Kenkyu*, p. 223.

te to the themes of this Chapter; facts, logic, laws, regulations, restrictions, etc., as against values, responsibilities, morals, cultures, freedom, autonomy, etc.

After joining the AT&T in 1909, Barnard served as president of the New Jersey Bell Telephone Company (1927-1948) and then as president of the Rockefeller Foundation (1948-1952). And after that, he retired from active life. Throughout his life, Barnard concerned himself with an extraordinarily large number of organizations including the USO, and contributed to the successful operation of those organizations. As what he himself called a 'participant observer,' Barnard coolly observed the actual running of various organizations and compiled the results of his experiences with the practical operation of the organizations into a large number of theses including *The Functions*. Certainly without all those writings, Barnard's name would not have stayed in our memories as clearly as they have.

What proved to be Barnard's virtually final thesis was the "Elementary Conditions of Business Morals²⁵⁾," the thesis that adorned the first page of the inaugural issue of the *California Management Review* and gave the greatest influence on the subsequent development of the theory of organization.

Barnard says that, through his studies as described in his *The Functions*, particularly in its Chapter 17, the following two main ideas have emerged:

The first is that every formal organization is a social system, something much broader than a bare economic or political instrumentality or the fictional legal entity implicit in corporation law. As social systems, organizations give expression to or reflect mores, patterns of culture, implicit assumptions as to the world, deep convictions, unconscious beliefs that make them largely autonomous moral institutions on which instrumental political, economic, religious, or other functions are superimposed or from which they evolve.

The second idea is that to a large extent management decisions are concerned with moral issues. Undoubtedly long before recognizing this I had had numerous experiences exemplifying it; but I had never distinguished between decisions of a technical or technological character, subject to factual and reasoned conclusions, and those involving a less tangible sensing of values. But this idea of moralities in organizations was one of issues arising within organizations, with little or no reference to prevalent moral conceptions in the great societies within which these formal organizations exist, nor did it take into account the obligations of incorporated organizations as legal entities²⁶⁾.

According to Barnard, recognition of the fact that cooperation among men,

25) This is the text of the lecture that Barnard gave in 1955 at the University of California (Berkeley). It was later published in the *California Management Review*, Vol. 1, No. 1, Fall 1958 as the opening article in the magazine's inaugural issue. It is also included in the *Philosophy* as Chapter 11.

26) *Philosophy*, p. 162.

through formal organizations of their activities, creates moralities was, to him, in 1938, a startling conception.

Consequently, Barnard defined moralities, classified the moralities in business into eight types and discussed the conflicts of responsibilities that arise between different moralities and the methods of resolving such conflicts. Those were, in fact, amplification of what he wrote in Chapter 17 of his *The Functions*.

The fact that formal organizations eventually develop into a moral institution may be an evidence of existence of a condition in which, metaphorically speaking, the formal organizations which as 'skeletons' serve as a means are continuing to exist as systems with 'flesh and blood' while maintaining autonomous organs which perform their respective functions. What create flesh and blood would be "mores, patterns of culture, implicit assumptions as to the world, deep convictions and unconscious beliefs" and such factors as 'values, responsibilities, morals and cultures'. Though it may sound superfluous to readers, the author wishes to express his hope that we shall not be misunderstood as being indulged in an argument only about organization morality or organization culture as upper structures²⁷⁾.

The author wishes to conclude this paper by quoting from the conclusive portion of the above-cited thesis on business morals, the thesis that seems to reflect Barnard's view of organization in his later years.

What impresses me the most in the present situation is not the confusion, the frustration, and the irresponsibility to which so much attention is given, but rather the enormous increase in responsible behavior that has attended the growth of modern civilization and its technological expression. Despite the wars of recent years and the conflicts of many kinds of which we are almost pathologically conscious, the fact is that a network of social behavior of enormous size and complexity is carried on daily and largely autonomously with relatively few errors or failures, although it is the errors and the failures that occupy us almost entirely in the news reports..... Yet the dependability with which the burden of specialized activities is carried on, and the dependability which we ascribe to those who do the carrying on, is the most essential aspect of modern civilization.

This matter takes on increasing importance with respect to one of the crucial problems of our times: how to secure the essential degree of coordination of a vast system of activities while securing the degree of decentralization and autonomy essential to initiative and, indeed, to responsible behavior. It is almost obvious that those who are not capable of dependable behavior cannot be entrusted with the making of local decisions. Yet, if

27) Even though we admit that we are relatively emphasizing the moral institution rather than the formal organization as an organization of work; responsibility rather than authority; mental or intellectual labor rather than manual or productive labor; management rather than operation; and freedom rather than restriction.....

this cannot be done the burden placed upon centralized authority for securing appropriate behavior over vast areas is in fact an impossible one..... Authority could not sufficiently operate if it were not for the development of the moral sense to which we broadly give the name "sense of responsibility." Responsibility cannot be arbitrarily delegated and, therefore, a high degree of effective autonomous behavior cannot be secured except as responsibility is freely accepted. When so accepted the possibility of effective autonomous behavior is realized.

Conclusion

It seems to the author that it is more appropriate in the contemporary society to get things done by relying on responsible behaviors, freedom and autonomy of individuals rather than by orders, restrictions or subordinations; as long as such reliance is based on human nature and also on the motivation theory. The theory of management based on the theory of organization with a 'human face', or Barnard's type of management theory based on theory of organization, still continues to maintain its effectiveness. Indeed, it even seems to the author that now is the time for it to display its true effectiveness (especially in Japan). The increasingly complex socio-economic system of today cannot be designed as easily as one may think, even if one may make maximum use of computers. From the point of view of theory of organization, too, it is risky to believe in the potentialities of centralized planning or to place excessive trust in the capabilities of the bureaucratic organizations which are dominated by elites. Can't the transitions of Barnard's images of organization be the sounds of an alarm bell warning against such dangers as described above?