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THE CONCEPT AND SYSTEM OF BUSINESS MANAGEMENT

- AN ESSAY DISCUSSED FROM AN ORGANIZATIONAL VIEW-POINT-

By Takehiko FURIHATA*

(1)

With its intricate structure and relationships involved within itself, today's business is developing continuous business activities under the restriction of complex institutional environments, as a vital force to play an important part in the national economy. Such a situation is what people call a "going concern", but in order that an enterprise may be made a going concern, it necessarily means that activities of some kind must be being developed with the support of a certain force of governing will. Generally this kind of activity is called management or administration, but it may well be said that the term "business management, or Betriebsverwaltung" is more often used as a standardized definition. That is, it is no other than the activity of business management that under the complex institutional environments, a giant business enterprise with its intricate structure and relationships involved is put into operation as a continuously working business organization.

We simply call it business management, but if we examine it a little bit, we shall realize that it does not always mean the same thing. Not very infrequently it is so properly represented as "having no consolidated meaning or concept, and sometimes subject to being understood contrariwise". Of course we know that as the result of many excellent studies that have been published recently, not only the definition has gradually been standardized but also the contents to be included therein have been better organized. But still we must say that there is no general agreement of views on how to understand the real nature of business management or how to get the real picture of the system of this activity.

It is nothing but this point that I am going to call in question in this paper. As I indicated especially by the subtitle, I shall examine the concept of business management from an organizational view-point, and at the same time I shall look into the system as well.

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Where there is performed more or less continuously a cooperative action of a group of people who have a common purpose to attain, a particular action differing in nature from cooperative action itself will be required in order to perform cooperative action more effectively and efficiently. It is such an action that may preserve order in the cooperative action, and guide and direct it toward the end sought without a waste of time and effort. This type of activity is generally called management activity, and is considered to be found wherever a continuous cooperative action is in operation.¹⁾ So far as management is defined in such general terms, it is a phenomenon whose history is as old as the history of mankind. For instance, in early Egyptian papyri, extending as far back as 1300 B. C. or in the records of ancient China, evidences of the importance attached to organization and administration may be found. It has been said that the success of the long organizational life, lasting until today, of the Roman Catholic Church, old and distinguished in the history of Western civilization had been due not only to the appeal of its objectives but also to the effectiveness of its organizational and managerial techniques. It is also apparent from the fact that many important principle and suggestions still applicable today may be drawn out from the practices of large scale military operations in modern times or from the studies of the cameralist school which engaged in the training of German state officials.²⁾

Nevertheless, it goes without saying that such managerial ideas or action should not be regarded in the same light with what we call 'business management' today. It is because the type of business management that we make a subject for our consideration is a system of scientific ideas which has gradually been moulded since the latter half of the nineteenth century to answer the vital question of how to manage rationally the business activities of gigantic enterprises of huge facilities and staffs that have come into being with the development of capitalist economy.³⁾ In other words, though both may

1) As the cause of cooperative action, Mr. Barnard says as follows: Out of the existence, or belief in the existence, of purposes of individuals and the experience of limitations arises cooperation to accomplish purposes and overcome limitations (C. I. Barnard, *The Functions of the Executives*, 1938, p. 22). Cooperation once established, there will naturally develop the specialized activities of adjusting the cooperative system to the changing physical environments (and to the alterations taking place within the cooperative action itself), and of maintaining cooperation. These activities are nothing but the management activities (Barnard, op. cit., p. 35).

2) H. Koontz & C. O'Donnell, *Principles of Management*, 1955, p. 16-19. And also, J. D. Mooney, *the Principles of Organization*, 1939,

3) Citing the cases of the U. S. Steel and of the Franklin Manufacturing Company at the turn of the century by way of example of the business practices, Prof. Villers pointed out

be considered as management activities in their phenomenal form, and there might have existed managerial ideas in that sense, there are differences in their objects of management due to the differences in historical and social conditions—that is, whether or not existed modern enterprises characterized by typical bureaucracy—, as well as disparity of the method of approach to their objects—empirical approach or scientific approach—, between modern business management and the management ideas of pre-modern age. If so, then who and when laid the foundations of the system of business management of today? Generally, the credit of establishing the system is claimed for F. W. Taylor who introduced and advocated the so-called scientific (method of business) management from the latter half of the nineteenth century through the early part of this century.⁴⁾

Obviously influenced by his own background as an engineer of a steel company, and directly motivated by the problem of systematic soldiering which pressed him for a solution, Taylor insisted upon scientific determination of the task, as it is commonly known, which was to be based on time study. Further, he developed the following systems that would help rationalizing the management of such task, and advocated those principles, on which the science of management was built. They were the planning room system, the instruction cards system, the functional foremen system, the differential piece-rates system, and the principles of scientific management.⁵⁾ His insistence upon the scientific method of management or a rationalized system of management with such a clear central idea of the task did not only meet in no small

that the need for management called for by the rapidly growing scale of enterprise did, even in these distinguished companies, remain within the concept of the "systems" that were nothing more than empirical rules and procedures. Then he entered into a detailed analysis of the fact that the then prevailing situations such as acute competition stimulated by the enforcement of the Sherman antitrust law, rapid increase in wages effected by rising influence of unionized workers, increase in fixed investments, and decline of the highly speculative aspects of American industry, had been anticipating the advent of business management in its proper sense of the word (R. Villers, *The Dynamics of Industrial Management*, 1954, p. 36-46). For the study of the situations in England, see *The Philosophy of Management* by O. Sheldon, 1923, Chap. II and *The Principles and Practice of Management*, edited by R. F. L. Brech, 1956, p. 56-64.

4) Some scholars maintain that modern scientific management has its origin not in Taylor but in C. Babbage (*On the Economy of Machinery and Manufactures*, 1832), and Prof. Villers is counted among them. Prof. Villers gave a considerable space for the introduction of Babbage's Book (*Ibid.*, p. 48-61), and as to Taylor, he found his contribution in the successful bridging of the gap between the science and the practice of industrial management (*Ibid.*, p. 36). However, in this paper, the author would rather follow the popular opinion. Besides, so far as we call in question the significance of Taylor in the theory of business management, I think H. Fayol, a contemporary of Taylor, is also entitled to due consideration. Perhaps it will be fair to interpret this way; it is Taylor who gave a direct influence upon the further development of the theory of management, and Fayol came to our notice only recently when a more consolidated and integrated study of management has been started.

5) F. W. Taylor, *Shop Management*, 1903; ditto, *The Principles of Scientific Management*, 1910.

measure the need of the time for more rational and efficient operation techniques of the factory system that had come into being with the expansion of the scale of enterprise, but also acted as dynamic to advance the old rule-of-thumb methods solely dependent upon experience and intuition one large step ahead toward the new method of management based on a clear idea of planning and control and characterized by scientific approach. Thus the studies of modern business management could find its own starting point at last.⁶⁾ That is the reason why Taylor is looked up to as one of the founders of modern business management. However, Taylor's contributions did not go beyond planned control of objective and rational cooperative actions with his particular stress on the task—that is, management of the task—at the shop level, and consequently, not a few problems concerning the more general aspects of business management were left unsolved. Therefore, practices and studies of business management since that have originated from those points brought up by his position and have been either consciously or unconsciously directed towards deepening, complementing or broadening of his views.

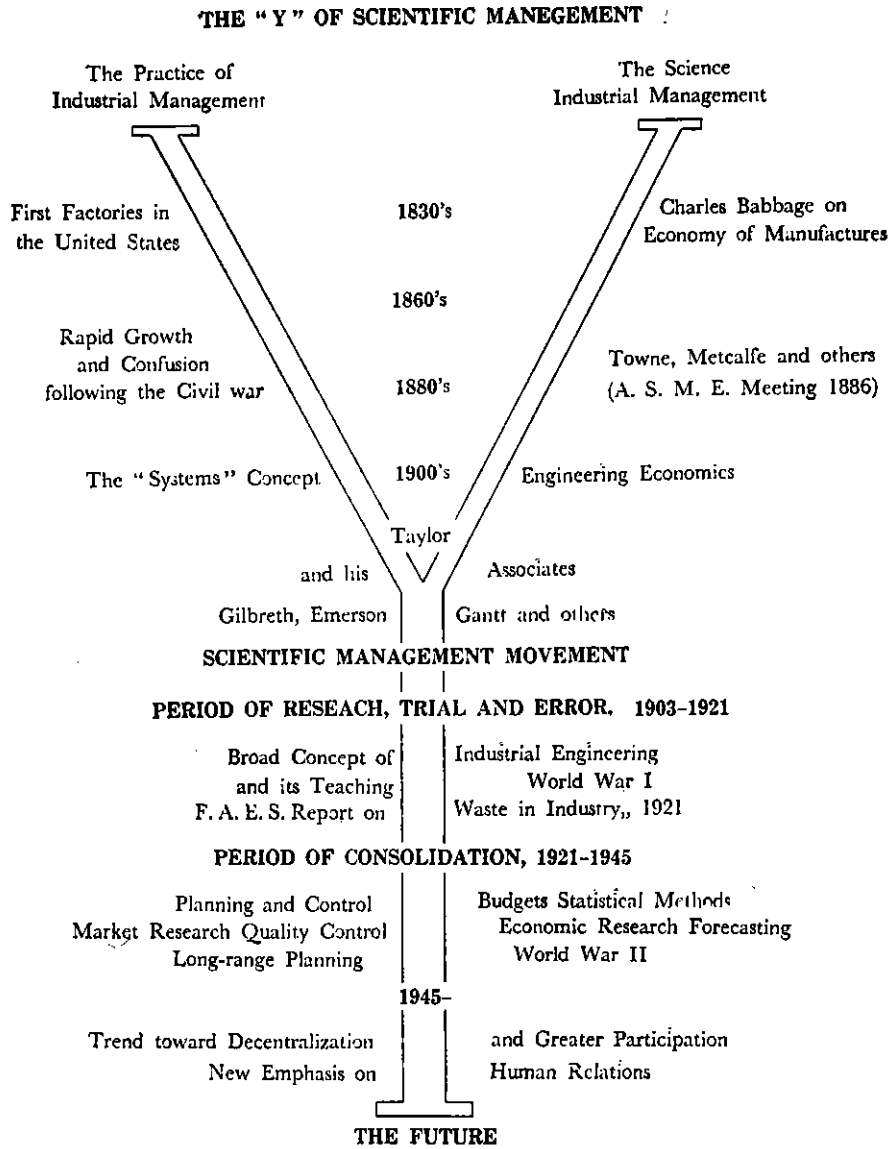
A number of people have touched in some sense or other on the evolution of business management since Taylor,⁷⁾ but according to Prof. Raymond Villers, the evolution is divided into the four periods.⁸⁾ They were, (1) From 1903 to 1921, this is the period of the complementation and application of the original principles by Taylor's associates and followers, and also of the efforts being made to broaden the original concepts of scientific management in academic circles; (2) From 1921 to 1945, the elimination of waste movement undertaken by the Federated American Engineering Societies acted just like a catalytic agent toward spreading the concepts of management in every field of business activities. During this period, with the advancement of managerial knowledges and techniques, the theory and practice of special management made a remarkable growth; (3) Since 1945, during this period,

6) Undoubtedly, there are some disagreements in opinions about the question of when modern business management was established. In other words, although Taylor advocated scientific management, it was nothing more than "the science of work". In order that management may become a real science, other sciences concerned with the management processes have to be organized, coordinated, and brought into a whole integrated system from the view-point of management (O. Sheldon, *The Philosophy of Management*, 1923, p. 49). In this respect, it merits particular attention that for any management that professes to be scientific, it is proposed by Mrs. M. P. Follett to eliminate arbitrariness from the entire field of management and to discover "the law of the situation" (H. C. Metcalf and L. Urwick, edit., *Dynamic Administration, The Collected Papers of M. P. Follett*, 1940, p. 58-59). For all that, the credit as the father of modern business management is legitimately due to Taylor, who introduced scientific thinking and methods into business management, may it be nothing more than a work standard.

7) A typical one is E. E. Hunt, edit., *Scientific Management since Taylor*, 1924.

8) Villers, op. cit., p. 63-95.

the old managerial practices and economic doctrine that had been supporting the growth of rational business management was called for grave reflection as a result of the human relations movement which demanded considerable changes in fundamental concepts of management. The figure given above shows the evolution, including the periods before Taylor⁹⁾



The Need for Renewed Integration of the Science of Industrial Management

(3)

In response to such rapid development of the practices and studies of

9) Ibid., p. 37.

business management and to an increasing volume of achievement hitherto accumulated, there has emerged a striking movement to establish the general theory or the basic theory of business management, reflecting not only the theoretical requirement for a consolidated system of knowledge, but also the practical requirement for an integrated management of industry.¹⁾ It is in these circumstances that the concept or real nature of business management has recently resumed public discussion. Now then, how is the real nature of management grasped or how is the concept defined in order to meet those requirements? Not a few people have taken up this problem as the studies of management developed, but their views did not always coincide with each other until today. To give some typical examples, (1) there were a practical or managerial standpoint seeking to find its essence in the leadership function of executive, (2) a functional standpoint that, extracting the function of business management out of business activities in conformity to certain classification principles, tries to define formally and minutely its characteristics in relation to other functions, or (3) an organizational standpoint that, with the concept of organizational or integrated activities of a group of man in the basic consideration of business management, seeks to grasp management activities uniformly from the view-point of maintenance or growth of this living organism.²⁾

It is evident from the foregoing consideration that business management

1) Of course, such a movement is not a phenomenon proper to our own time, because in Germany a country of strictly scientific thinking, there could be recognized a movement to establish the fundamental theory of business management long ago. For instance, F. Nordsieck, *Die Schaubildliche Erfassung und Untersuchung der Betriebsorganisation*, 1931; derselbe, *Grundlagen der Organisationslehre*, 1934; W. Thoms *Betriebsverwaltung*, 1934. Also, such a movement is not limited to Germany, but could be found in France, the United States, and England. For instance, in France, H. Fayol, *Administration Industrielle et Générale*, 1916; in the United States, C. I. Barnard, *The Functions of the Executive*, 1938; in England, O. Sheldon, *The Philosophy of Management*, 1923. But it is not until quite recently that the significance of these theories, including the ideas that had been developed so far, was brought to reexamination with a clear intention of formulating a theory of 'management as a whole.' In this respect, the following works are worth notice: in England, E. F. L. Brech edit., *The Principles and Practice of Management*, 1953; in the United States, L. F. Urwick, *The Pattern of Management*, 1956. F. A. Shull, *Selected Readings in Management*, 1958; R. C. Davis, *The Fundamentals of Top Management*, 1951; also the works of H. Koontz and C. O'Donnell, and of R. Villers that I have quoted above.

2) Among the exponents of the practical or managerial standpoint, we can include R. C. Davis, *The Fundamentals of Top Management*, 1951, p. 151; Sheldon, *The Philosophy of Management*, 1923, p. 352 (although this is somewhat different in contents), and the best part of British and American management scholars. As the scholars of the functional standpoint, we can name F. Nordsieck, *Die Schaubildliche Erfassung und Untersuchung der Betriebsorganisation*, 1932, S. 14; derselbe, *Grundlagen der Organisationslehre*, 1934, S. 73-82; derselbe, *Rationalisierung der Betriebsorganisation*, 1955, ss. 81-90, and W. Thoms, *Betriebs-Verwaltung*, 1934, S. 5. The organizational standpoint is held by C. I. Barnard, *The Functions of the Executive*, 1938, Preface, Chap. XV. etc., H. A. Simon, *Administrative Behavior*, 1945, Chap. I, Chap. VI. etc., and M. H. Jones *Executive Decision-Making*, 1957, Preface, etc.

is a developmental application to modern business of the managerial thinking that has been universally exercised whenever there was performed continuously a cooperative action of a group of man.³⁾ It is a concept that was born of the need to bring about unity in our thinking by the integration of various management activities dressed entirely different activities supported by newly developed scientific or rational knowldges and techniques in order to meet the requirement of uprising modern enterprises for rationalization of business. It is a concept that came out from a close observation of management activities common to all businesses. Therefore, being complex the nature and structure of modern enterprise, whatever complicated relations or forms a cooperative action may have or take, and hence, whatever superior or elaborate methods may be devised to maintain or promote the cooperative action, it certainly does not make any change in the fact that as long as the essence of business is to be found in cooperative actions of a group of man performed continuously after all, the basic idea underlying business management is to find how to make the cooperative actions effective and efficient.

If we again take the trouble of looking back the process the old studies of business management went through, we can find the following four trends or stages of study.⁴⁾ First, as long as a cooperative action is developed through the medium of a certain work, it naturally requires scientific or objective apprehension of the work itself. The studies of Taylor and his associates or followers on "the science of task" that we have considered in the foregoing section were the answer to such requirement.⁵⁾ Second, even if the task is apprehended as such, it is hardly possible that it has no bearing on the individual human beings who participate in the cooperative action. Hence, the problem of "adjustment and coordination of the individuals to the task"

3) As I Stated in this paper, my saying that business management is a developmental application to modern business of the managerial thinking that has been universally exercised whenever there was performed continuously a cooperative action of a group of men, does not mean that there is no difference between today's business management and the managerial thinking of the past. In this sense, as Sheldon remarks: "Management does not begin, in the general sense which we attach to it, until the beginning of the factory system". (Sheldon, op. cit., p. 37). But this does not imply that we should discuss today's business management separately from the managerial thinking of former days. The first reason is evident from the writing of many scholars who indicated that today's business management was either consciously or unconsciously affected by the managerial practices and thinkings of former days. (Koontz and O'Donnell, op. cit., p. 16-18; A. Lepawsky, *Administration*, 1949; L. S. Hsü, *The Political Philosophy of Confucianism*, 1932; J. D. Mooney, *Principles of Organization*, 1947; J. D. Mooney and A. C. Reiley, *Onward Industry*, 1931, etc.) The second reason is the belief that we can come at the true difference in nature only through a theoretical procedure of apprehending management as a function proper to human activities in general terms, and then tracing down the different forms of its manifestation at different stages of its evolution.

4) L. F. Urwick, *The Pattern of Management*, 1956, p. 37-51.

5) F. W. Taylor, op. cit.: F. B. Gilbreth, *Motion Study*, 1911.

comes out. We do not pretend that Taylor did disregard it at all, but his basic attitude toward human factors did remain within the scope of classical premise of the homo economicus, which was not, of course, sufficient; The correction of this defect had to wait for the assistance of newly developed sciences such as psychology or industrial medicine. We can find the answer in the studies of H. Münsterberg or W. D. Scott.⁶⁾ Third, cooperative action in modern enterprises are not exercised at the shop level alone, but on the contrary, it will be a prerequisite to build a rational organization from the view-point of the whole business including administrative levels—"a rational formation of the grouping and correlation of tasks"—in order that such cooperative actions may be made effective. The works of H. Fayol or J. D. Mooney were intended to answer this half-finished question.⁷⁾ Now, we seem to have everything necessary for the problem of cooperation in modern enterprise, but the final aspect of the problem which requires attention is the fact that the cooperation dealt there was nothing more than a picture of a group of man as related to their work, and not a picture of the group itself. To put it in another way, cooperation will be really desirable where the group of men as individuals is consistent with the cooperation called upon by the enterprise. In this sense, we must say that the studies made before that had attacked the formal side of cooperation. It is a matter of course that the problem of providing leadership suitable to group activities of human beings became a matter of supreme importance in order to secure real cooperation in an enterprise. The contribution of M. P. Follett, E. Mayo and C. I. Barnard were that they gave the answer to this problem.⁸⁾ These relationships are shown in the figure quoted below.⁹⁾

The foregoing analysis has made it clear that although we lightly say cooperation in modern business it had many aspects requiring a considerable examination, and that many such studies had been made to meet such requi-

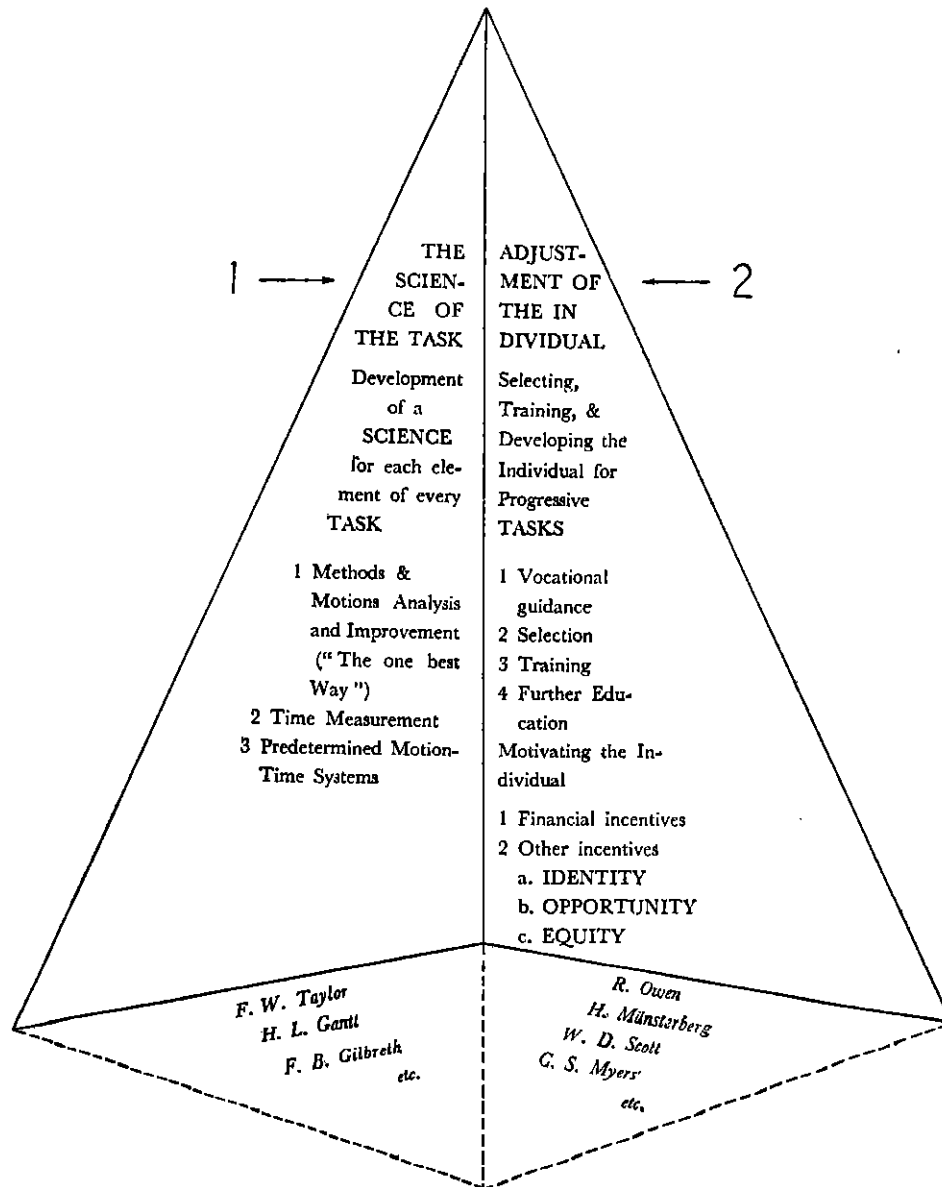
6) H. Münsterberg, *Psychology and Industrial Efficiency*, 1913; L. M. Gilbreth, *The Psychology of Management*, 1918; W. D. Scott, R. C. Clothier and S. B. Mathewson, *Personnel Management*, 1923,

7) H. Fayol, *Administration Industrielle et Générale*, 1916; J. D. Mooney and A. C. Reiley *Onward Industry*, 1931. Perhaps we may put into this category the works of German functionalists as well.

8) M. P. F. Follett, op. cit.,; C. I. Barnard, op. cit.,; H. A. Simon, op. cit.,; M. H. Jones, op. cit.

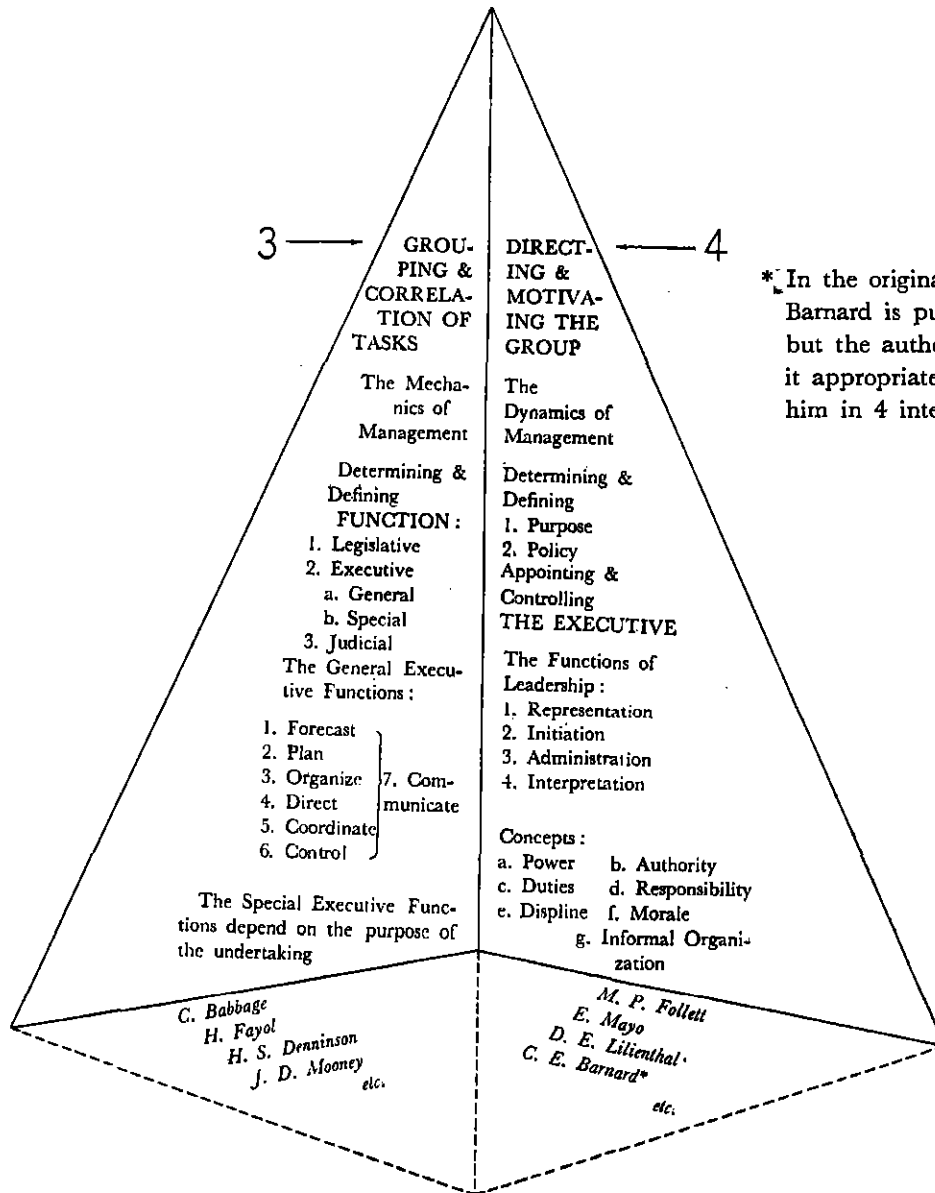
9) Urwick, op. cit., p. 52-55. It is worthy of note that such arrangement of formulating management knowledge in a four-sided pyramid is almost identical with P. Drucker's three jobs required of an executive: "managing a business, managing managers and managing worker and work" (P. Drucker, *The Practice of Management*, 1954, p. 8-14). That is, the third job of Drucker corresponds to Urwick's Side 1 "the science of the task" and Side 2 "adjustment of the individual to the task", and Drucker's first and second jobs to Urwick's "the grouping and correlation of tasks" and "directing and motivating groups".

ment. These studies may also help to clarify from what standpoint should business management be established and defined. This is a method which we grasp the essence of a modern enterprise as the group activities of man, and with a clear knowledge of its characteristics and from the standpoint of determining the most effective and efficient leadership, we arrive at the apprehension and definition of business management in collective and general terms. To take it as the leadership function of executive or to determine it formally in relation to other executive functions may be convenient for formal systematization of business management, and may lead us to an elaborate one in respect of its formal understanding, but we can hardly avoid the vital defects



of wanting a proper knowledge of the group activities of men in modern business, and of overlooking the dynamic nature of management activities by this approach. In this sense, we may say that the last of the three aforesaid standpoints regarding the conceptual definition of business management, namely, the organizational standpoint (see p. 37), can provide the best method to meet our requirement.

From this standpoint, the essence of an enterprise is defined as an organization or a system of coordinated group activities of men. Unquestionably, an enterprise is a complex structure that comprises many different aspects as one sees it from different points of view. To name some of these aspects,



* In the original book, Barnard is put in 3, but the author thinks it appropriate to put him in 4 instead.

there are the physical (technical) system, the social system, the legal system, etc. But none of these systems does not constitute the essence of an enterprise by itself. Their existence becomes significant only through the medium of combined and coordinated activities of the persons who are cooperating to achieve the objectives of an enterprise. Therefore, the essence of an enterprise ought not to be sought in these aspects, but in the organization or the system of coordinated activities of the men who act as a medium for them.¹⁰⁾ The essence of an enterprise once defined as such, it will become necessary to maintain a cooperative system of the activities of individuals who constitute an enterprise, and to coordinate and adjust those activities in relation to the objectives sought, in order that such an enterprise may attain its aim effectively. Business management is nothing more than such functions, and there are two points demanding particular attention in this regard.¹¹⁾ First, the persons who constitute an enterprise are identified by their connection with that enterprise as modern individuals; that is, although exposed to the influence of the historical and the social environments that restrict them, they bear their connection with an enterprise as the individuals who assume the exercise of free choice. Second, the activities of these persons who constitute the essence of enterprise are the results of their constant actions of choice—decision-making—, but in this case, the forces that urge them to make decision are complex motives that are not always of rational nature. The essence of business management becomes clear of itself from the consideration of these two points. In other words, it is the leadership actions—decision-making—to exercise influence on complex motives of the men who contribute to an enterprise, and to conform the decisions to the objectives of the enterprise. This definition is in general use nowadays. The expression that “management is the function of getting things done through others” should be understood as implying the above meanings that we have just seen.

(4)

In the foregoing analysis, we have discussed business management as it makes the business operation of today's gigantic enterprise of complex structure orderly and rational activities, and have examined what was the essential

10) C. I. Barnard, *The Functions of the Executive*, 1938, Chap. VI. We have to pay attention to Barnard's concept of organization which is defined as “a system of consciously coordinated activities of two or more persons”. The contents of this definition are very unique. To put it in another way, this shows his attempt to formulate a theory on the basis of thoroughgoing individualism. This amounts to say that where there is no cooperative action arising from selfawakening individuals, there is no organization, hence, no management. It will be nothing more than a frame even if it appears to exist.

11) *Ibid.*, Chap. II, Chap. VI.

nature of these activities. As a result, it became clear that whatever complex structure might today's enterprise have, its fundamental task was to maintain a cooperative system of the activities of individuals who constitute such an organization and to coordinate such cooperative activities in relation to the objectives sought, as long as the essence of an enterprise was defined as an organization or a system of coordinated personal activities. For that reason, business management was identified as the leadership activities in nature being characterized by the decision-making function of the executive who exercises influence on complex motives of his men, and encourages or checks the decisions of each person in line with the objectives of his enterprise.

In the past, the acts of decision-making or decisions that were called in question in business were generally of such type that would concern the important policies of an enterprise, and therefore they were comprehended as specific action which would be taken only at the top level in most cases. However, in the acts of individuals, except those which are unconscious automatic or responsive, the decision-making usually precedes the acts themselves—that is, the process of carrying out.¹⁾ Now, if the essence of an enterprise is to be identified with coordinated actions like these, the decision-making must be a phenomenon that can be observed throughout the organization among the individuals in some degree, no matter whether their positions in the organization are high or low. In this sense, underlying the process of business operation are the processes of interacting decisions distributed throughout the positions. Furthermore, it would be rather by the people at the lower levels that business operation is actually carried out, and so the decisions to be made at these lower levels should be regarded more than anything else in order that business activities may become more effective. Of course, this does not mean that we may think light of the top level. What we have to keep in mind is that if the decisions of the top level have a great significance at all, it is in that sense that they do conform the decisions of the lower or lowest levels to the organization objectives and draw out effective decisions, and hence action. Now then, what are the essential functions to be included in business management in order to meet this requirement?²⁾

In general, decision is an act of choice of effective means to a certain

1) Barnard, op., cit., p. 185; H. A. Simon, *Administrative Behavior*, p. 1, etc. We must give attention to the fact that there are two kinds of decision-making by every participant in an enterprise: namely, the decisions he makes in his private personality—the personal decisions—, and the decisions he makes as an organization participant—the organization decisions—, and that both decisions always take place even when he is conducting himself within the frame of his organization. (Barnard, op. cit., p. 16, p. 86-89.)

2) The concrete development of the functions of business management by those who hold a

end, and is a phenomenon observable in common to both cases, whether an individual makes a decision personally—personal decision—, or an individual makes a decision as an individual contributor to the organization—organization decision, but in business activities which is marked by its rational nature, the rationality and effectiveness on such choice or the act of decision will be particularly respected. Therefore, the first question of primary importance for business management or the activities intended to make the decisions of the individual participants rational and effective from the point of view of the organization objectives, will be the clear-cut determination of the end to be accomplished.³⁾ Because without the clear-cut determination of the end, there could be no choice of the means to be used, hence, no question of the rationality or effectiveness of the means. By the way, the determination of

new organizational standpoint like Barnard leaves something to be desired. For instance, Mr. Barnard divides the executive functions into three principal groups: namely, the maintenance of organization communication (establishing the scheme of organization, personnel, maintaining informal executive organizations), the securing of essential services from individuals (bringing persons into cooperative relationship with the organization, eliciting services), and the formulation of purpose and objectives (Ibid., p. 217-233). But his views are somewhat non-practical. In his work we referred to above, Prof. Simon did not make any practical observation. In his another book entitled "Public Administration", 1956 (3rd print), he deals with some practical aspects of management, but he strictly confines himself to the field of public administration (although there is much similarity, indeed.) In this respect, Prof. Jones' analysis is best in contents. After he analysed the meaning and process of decision-making in detail, he discussed in a fairly concrete way the problems concerning the obtaining of the approval of decision, the planning, the organizing, the directing, and the controlling functions. However, we should say that the development of his reasoning is not always in proper shape and good order. He employs a very particular arrangement. Therefore, in this paper I use the traditional classification though I discuss the subject matter from the new organizational standpoint. I said the 'traditional' classification but not in the sense that it has a definite pattern. The 'traditional' was used to mean the classification concerning management activities which began with Fayol and has been held by British and American management specialists.

- 3) It is natural that the determination of the end is essential to cooperative actions. As the "elements of an organization", Mr. Barnard names three things; namely, the willingness to cooperate, the purpose, and the communication. Also, he points out that every cooperative purpose has two aspects which are called (a) the cooperative and (b) the subjective aspect, respectively. The former is the aspect of purpose viewed by an individual as having organization personality in relation to the promotion of cooperative efforts, and the latter is the aspect of purpose viewed by the same individual as having individual personality, that is, from the point of the view of his own interest or motives (Barnard, op. cit., p. 86-89). Now, an individual, whoever he is, goes through formalities of first, viewing the cooperative purpose from the latter view-point, second, deciding whether or not he will participate in the cooperative action, and finally, becoming a man to whom the former aspect of purpose has a meaning. In either case, the determination of the end plays a great role. What I call in question here is the determination of the end after an individual participates in cooperative action. In this sense, the determination of the end at issue in this paper is only an aspect of the problem, and not the whole. As long as one sticks to the position that individual preexists organization, it will be very important for him to examine the aspect of the determination of end relevant to the basic relationships between individual and organization. My article, *Individual and Organization* (*KEIZAI RONSO*, vol 78, No. 1). is a venture to attack this problem, and further examination remains to be made.

the end may be divided into two principal kinds. One is that kind of determination which is occasioned by the necessity of specialized execution of the enterprise objectives, and the other is the determination of end that becomes necessary in the actual operation of business activities. In other words, the former is the determination of end as restricting the choice due to specialized execution of the enterprise objectives. In the concrete, it means that the division of executive functions follows the establishment of organization structure. In this respect, it (the former) is marked by the general and static nature. On the other hand, the latter is characterized of the concrete and dynamic nature in that it is the determination of end that defines the purpose or object of activities when all the positions in an enterprise are staffed and are ready to go into operation. Therefore, business management in this case involves two activities: organizing (establishing the organization structure, and staffing) and planning.

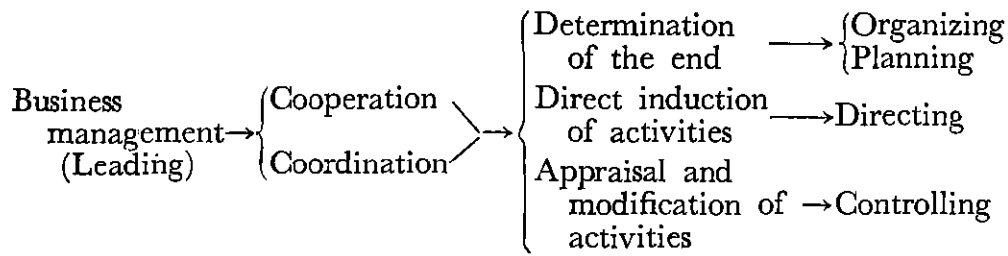
Now that the basis and object (as well as the standard means) of activities of individual enterprise participants are settled by the determination of the end, there will be, then, called for a series of processes of actions regarding the inducing of the activities of individual participants. The reason for this is that although organizing and planning may settle the basis and object (as well as the standard means) of activities of individual participants, this would not entail the actual start of these activities. Here arises the need of a series of processes of actions to marry the basis and object of activities to the actual activities of individual enterprise participants, and to carry them into effect. In the concrete, this involves the induction of activities of the subordinates by instruction or transmission of the contents of the actions necessary for the object of activities and for the performance of activities by the superiors to the inferiors. Business management consisting in such contents of function is called directing or actuating.

Once the division of functions and the goal of activities are formulated, and the subordinates are set in action by directing, the pursuance of the end hinges on the activities of subordinates. Of course, the purpose will be being realized by and by, but what is important during this process is to confirm how successfully the purpose was, and is being, achieved in accordance with the original plan. It is a matter of course that if the activities performed so far prove to be perhaps there will be no need of such confirmation in many cases. However, there is no assurance what-so-ever that all the activities have always been done perfectly. Besides, the larger scope of decision are the subordinates authorized, the greater the deviation from the end sought will become. Here arises the occasion which requires constant or occasional (at prescribed points of time) confirmation of the extent of achievement of the

goal, and correction of the actions of subordinates if necessary. By these efforts could the effectiveness and efficiency of business activities in attaining the desired end be assured. Managerial activities of this kind is called controlling.

In the foregoing discussion, we have seen those elements which comprise business management activities in a more concrete way. To them may be added the function of coordination. The reason is this; indeed, business activities are now making a systematic development toward the desired end through managerial efforts such as organizing, planning, directing, controlling, and there are complete managerial condition guaranteeing effective and efficient achievement of the goal. For all that, the demand for specialized execution due to the growing complexity and expansion of business organization is too often disposed to develop a tendency of some dispersion or decentralization of management activities. Thus, it becomes indispensable for a well-balanced business operation to synthesize and coordinate them from a broader view-point at the superior executive levels. The reason for the need of such coordination function may also arise from another situation. Since business activities are performed under the constant influence of changing environments, and the adaption to changes in its environments is essential for any enterprise to survive. This situation necessitates coordination or synthesis of various activities suitable to the prevailing environments, in addition to, or as a collateral of, the above-said managerial activities. Therefore, some business management activities always preexist this function which is a resultant of the necessity of maintaining organic inter-relationships between management activities, and of adapting the enterprise to constantly changing environments. In this sense, it cannot function alone. But the function is of such special nature that a close relation of various management activities or the adaptability to environments will be missing without it. It is an activity of synthetic nature, forming an excellent contrast, I would say, to the activity that brings about cooperation, in the light of management activities.⁴⁾ The relations between the activities of business management may be illustrated as follows.

4) Not a few people discussed the importance of the function of coordination, but Mrs. Follett and Prof. Terry, above all, are worthy of attention. Mrs. Follett names the four basic principles of coordination; namely, (1) coordination by the direct contact of the responsible people concerned, (2) coordination at the early stage (of management activities), (3) coordination of all elements as interacting each other under a certain circumstance, and (4) coordination as a continuing process; and she tries to explain coordination by principles. (II. C. Metcalf & L. Urwick, edit., *Dynamic Administration—The Collected Papers of M. P. Follett*,— 1940, p. 297). Prof. Terry, on the other hand, grasps coordination separately from managerial activities and as a concept relating to business management as a whole, in comparison with cooperation. He discusses it broadly by dividing it into two main categories;



(5)

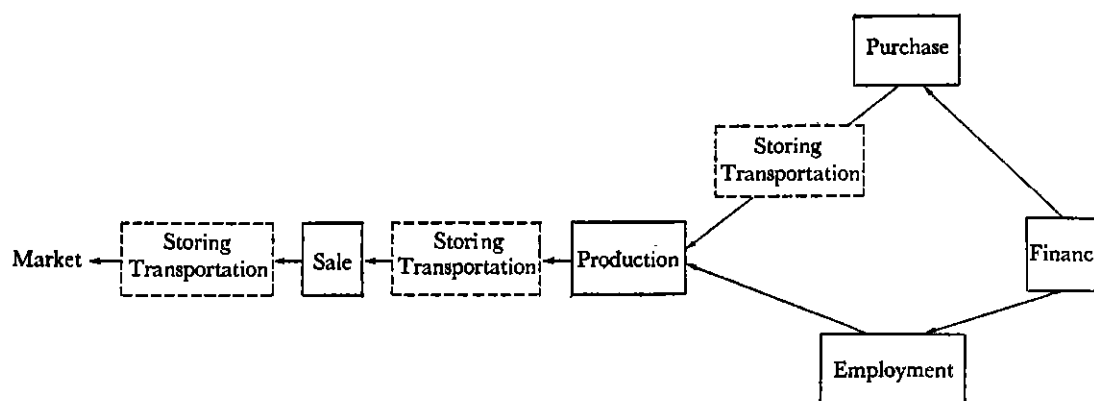
The foregoing analysis has expressly shown what are the activities of business management composed of. If I repeat, they are composed of cooperation and coordination that are developed for the purpose of conforming the activities of organization participants—decisions and executions—with the objectives of an enterprise. And these components are subdivided into such functions as organizing, planning, directing, and controlling. However, since such consideration of the functions of business management was nothing more than a conceptual device of reasoning the various activities involved as a logical process, in conjunction with the essence of business management, it will necessary to examine by way of supplement the practical positioning of these elements in the integrated whole of business activities.

Business activities may be classified in any way, depending upon how one sees them. First, fixing our eyes on the execution or work activity process aiming at attaining the objectives.¹⁾ We may classify business activities into two major categories, in the light of their roles to be played in attaining the objectives. For instance, a manufacturer has such activities as finance, employment, purchase, production and sale on one hand, and such activities as storing and transportation on the other hand. People may name these activities in any way as they wish, but let us call them the direct and the indirect object functions. What is meant by them is that the latter contributes toward attaining to goal by helping and promoting the activities of the former. Their relations may be illustrated as follows :

Needless to say, these are not the whole of business activities, because if these activities are to be performed in good order without any delay, and the desired object is to be attained effectively, a steering activity to bring

“coordination through management process” (internal coordination), and “coordination with the outside of an enterprise” (external coordination). Not infrequently, the coordination function is considered to be a management activities related to business management as a whole, rather than an independent management activity, and so, in many cases it is contrasted with cooperation. For instance, R. Villers *The Dynamics of Industrial Management*, 1954, p. 17; R. A. Gordon, *Business Leadership in the Large Corporation*, 1948, chap. V, are typical writers showing this tendency.

1) The meaning of process is usually grasped in relation to the circulation process of capital.



about a *systematic* development of these activities will be necessary for every integrating activity equally, in addition to the actual performance of such process activities as mentioned above. Further, activities such as recording and accounting will incidentally be necessary as much as the direct execution of process activities or the steering activity. The former group of activities can easily be identified with the management activities that we have already discussed, and the latter group of activities are usually known as office execution activities. Of course, these activities can hardly, to be sure, be called the direct activities, but will be naturally said to have the indirect nature if we see them from the view-point of the directness or indirectness of the attainment of the object. Because the former, being essential to the *systematic* development of the object functions, has special nature of a different dimension, it is also called the *systematic* function in contrast to the *process* function.²⁾ On the other hand, the latter, being auxiliary activities attending to, and distributed throughout, business activities, is always assisting and promoting them. Being passive in nature, usually the latter group of activities carry no special classification. But in view of the fact that, in general, management activities largely depend upon these activities, we cannot ignore them. From the above discussion, we now get a clear picture of what function are involved in business activities in a more practical fashion, and what is the position of business management in that connection. In other words, business management consists of activities characterized by systematic or steering nature as opposed to the process activities. Moreover, the activities of business management are attending all process activities alike. Their relations may be illustrated as follows :

2) Some people call this function the systematic function or the relation function, whereas Prof. Brown calls it the phasic responsibility (A. Brown, *Organization of Industry*, 1947, p. 211), and Prof. Davis names it the organic management function (R. C. Davis, *The Fundamentals of Top Management*, 1951, p. 153-167).

BASIC STRUCTURE OF MANAGEMENT ACTIVITIES

| Systematic Functions | | Process Functions | | Purchase | Production | Sale |
|---|-------------|-------------------|------------|------------------------|------------|------|
| | | Finance | Employment | Storing Transportation | | |
| Business Management Coordination Cooperation | Planning | | | | | |
| | Organizing | | | | | |
| | Directing | | | | | |
| | Controlling | | | | | |
| OPERATION (Execution activities, Office execution activities, including recording, accounting) | | | | | | |

Now, the relations between business management and the whole activities of an enterprise became clear. But we have two more things to be added. One is the problem of specialization of business management into special branches of management, and the other is the problem of different management function at different levels.

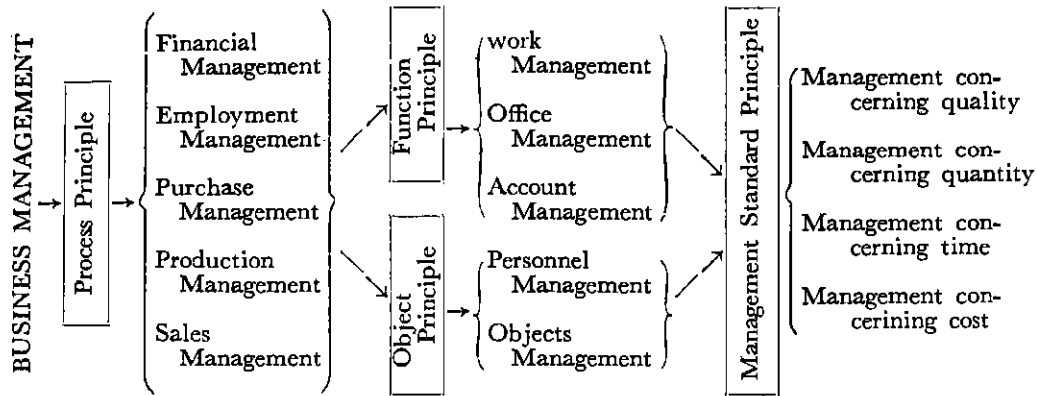
It was made clear in relation to its basic operational processes that business management is an over-all concept covering all business activities involved. That is, business management viewed process-wise consists of the financial management, the employment management, the purchase management, the production management and the sales management, all inclusive of not only the basic function proper to the financial, the employment, the purchase, the production (manufacturing), and the sales departments, but also other activities that usually implement or promote these functions.³⁾ Hence, these are special branches of management as opposed to business management as the over-all management. Here, the basic operational processes of an enterprise are brought to the front as the standard or view-point of specialization. Once special management was called in question, we should, of course, go in further. Management activities may be classified in any form as the view-point of specialization differs, and this is evident from the multifarious uses of the term 'management' in our daily life. But classification should not be made for classification sake. Classification should be established rationally in accordance

3) Prof. Yamamoto contends strongly that process management and function management should not be mixed up thoughtlessly. He states as follows: although the process of production or that of sale is generally regarded as a unity of functions, and is classified as the production management or the sales management, it also includes function like the office management function other than the function of production or that of sale, in other words, the process principle and the function principle are involved in the form of a mixture in reality (Yasujiro Yamamoto, *KEIEI KANRI RON* or *The Theory of Business Management*, p. 130-131).

with the purpose of classification. Now, our purpose of classification here is to reach a systematic apprehension of business management activities, and therefore, the standard we select for our classification ought to be such one that would make different functions more precise in relation to the process management we have referred to and that would clarify their meanings in business management. In this case, the first thing we have to direct our attention to is the fact that in each basic operational process are involved actual execution activities (the so-called work) and other activities such as recording or accounting duties to record or compute the execution activities. In other words, each operation process is marked by different functions, and the differences of functions establish the business management, the office management and the account management. In managing these functions, however, it will be a question by what standard do we manage the functions performed. Since quality, quantity, time, and cost are in common use the standards, we name the management concerning quality, the management concerning quantity, the management concerning time, and the management concerning cost.⁴⁾ Further, differences of the elements of the existence (the objects) that an enterprises should necessarily be taken into consideration in our discussion of management. It is because management, granting that it acts on the *activities* of men in the end, can function perfectly only when it gives full play to the special qualities of different elements existing within an enterprise. For that, it will be very important to recognize properly the differences between these elements, and to take necessary measures to employ their special qualities efficiently in business activities. Of course, there are many kinds of such elements of the existence, but in the final analysis they might be divided into man and object. Hence, it follows that there can exist the management concerning man and the management concerning object. Now, the management concerning man means the managing of activities based on the consideration for bringing the performance of tasks of men or the subjective constituents of an enterprise up to the desired work level, and the management concerning object means the managing of activities based on the consideration for employing most efficiently the special

4) As one of the classification principles, I mentioned the management standard principle. It is used when we turn our eyes to what standard or view-point is employed in the development of management activities. A classification from such a standpoint must be necessary whenever business activities are concerned with either one of the four elements: quantity, quality, time or cost.

5) I mentioned four principles of classification; namely, the process principle, the function principle, the standard principle, and the object principle. But I didn't say a word about the area principle especially. It is not because it is unnecessary, but because I thought that even though it might affect the management method, it would not concern the fundamental nature of management.



qualities of objects or the objective constituents of an enterprise.⁵⁾ From the above observation, we may illustrate the specialization of business management into branches of special management as the following patten.

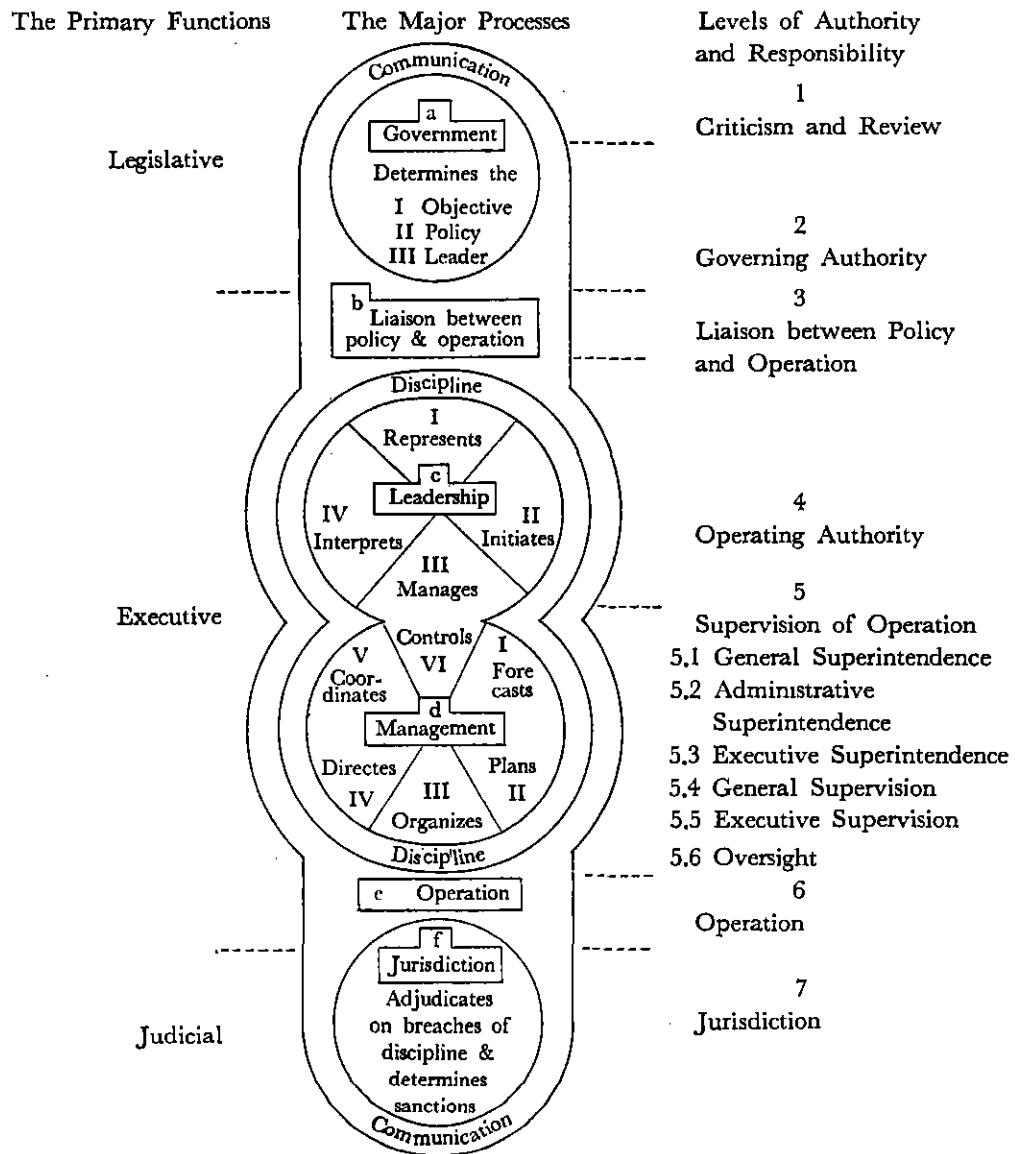
In other words, business management can be divided into branches of the financial management, the employment management, the purchase management, the production management, and the sales management, from the view-point of the manifestation processes of its basic activities. But since each process involves different functions, business management can also be divided into branches of the work management, the office management and the accunt management, from the view-point of differences of functions attending each process. And also each process not only comprises different functions, but also consits of two fundamentally different elements as integral constituents (that is, the objects). When we fix our eyes on this difference, we arrive at the division into the personnel management and the objects management, Further, the process management that contains these kinds of management based on different principles will be managed by either one of the four standards, namely, quality, quantity, time or cost, as business activities are concerned in the final analysis with either one of these factors. Thus, the above discussion has demonstrated that business management activities concerned with the over-all business activities involve several other kinds of management activities when viewed from other angles. In other words, business management is, as a matter of fact, composed of such complicated management activities.

The second pending problem relates to different manifestation of business management functions at different levels.

We have already inquired in conjunction with business activities into the reason why business management is an over-all concept covering all business activities, and have considered it as attending all business activities alike. And this way of thinking is, to be sure, nothing wrong on the theoretical level, but when we consider it in a realistic manner, it will require some

modification. It is because the some functions such as planning, organizing, directing or controlling, for instance, may involve problems considerably different in nature as well as in contents between the upper and the lower levels of management. Moreover, there is no assurance what-so-ever that the manifestation of these functions grows at the same rate. Paying attention to this point, some attempts have been made to classify the activities that we call business management into several functions. For example, Betriebsorganisie-

PATTERN OF GOVERNMENT



6) L. F. Urwick, *The Pattern of Management*, 1956, p. 65.

rung, Betriebsleitung, and Betriebsverwaltung. Here, Betriebsorganisierung is the function concerning the formation (or reformation) of business organization necessary for the attainment of the objectives of an enterprise; Betriebsleitung is the function responsible to planning of the whole activities within the limits set by the formation of business organization, and to decision-making from the view-point of the business as a whole; Betriebsverwaltung is the function responsible to maintaining and guiding of routine activities developed at different stages of each department. Such definition of the contents of business management is worthy of attention in that it indicates the three-dimensional nature of business management. Similar analyses are attempted by very many British and American management specialists although there are some differences in the elaborateness of their reasoning. The following figure is one of such attempts to show different manifestation of managerial functions at different levels.⁶⁾

It may be quite all right to replace 'government' with the formation of business organization, 'leadership' with guidance, and 'management' with management, respectively for convenience' sake. I think it is particularly an effective idea since the different manifestation of business management function at different levels is shown in relation to the structure of overall business activities. But, of course, it goes without saying that this method of analysis or the concepts employed there are not free from criticism. It is the common defect of their arguments that, devoted too much to the three-dimensional structure of management activities, they are prone to make light of the functions of planning, organizing, directing and controlling that are involved in management activities in some degree, and are more or less inclined toward the formal definition. The real apprehension of the essential and dynamic nature of business management activities would never be reached, should we waive flatly various functions of business management. Attention

| LEVEL OF MANAGEMENT | THE DEGREE OF MAINFESTATION OF MANAGERIAL FUNCTION | | | | MANAGEMENT CHARACTERIZED BY BEING |
|---------------------|--|------------|-----------|-------------|-----------------------------------|
| | PLANING | ORGANIZING | DIRECTING | CONTROLLING | |
| Top | | | | | Broad and Creative |
| Upper Middle | | | | | Fairly Broad and Somewhat Creativ |
| Lower Middle | | | | | Limited and Somewhat Routine |
| Lower | | | | | Detailed and Routine |

is also invited to the fact that when these functions manifest themselves at different levels in the course of practical business operation, they will differ in form, contents and extent of manifestation as the nature of the problems to be dealt with at different levels will differ as a matter of course. This may be illustrated in the following figure as a general pattern.⁷⁾

(6)

In the foregoing analysis, we have discussed business management or a system of the will which makes the business operation of today's gigantic enterprise of complex structure a orderly and rational activity, and have examined what was the essential nature of such activity. As a result, it became clear that whatever complex structure might today's enterprise have, its fundamental task was to maintain a cooperative system of the activities of individuals who constitute such an organization, and to coordinate such cooperation activities in relation to the objectives sought, as long as the essence of an enterprise was defined as an organization or a system of coordinated personal activities. For that reason, business management was identified as the leadership activities in nature being characterized by the decision-making function of the executive who exercises influence on complex motives of his men, and encourages or checks the decisions of each person in line with the objectives of his enterprise.

In the second place, we studied what system of activities is business management that was defined as such. Since we call it a system, it will not be satisfactory if we do no more than develop business management logically, and mention the functions of organizing, planning, directing, and controlling. There are at least three points we have to throw light on: namely, the positioning of business management in the entire business operation, the relation between business management, which is the over-all management or the basic theory, and the special management, and lastly, the problem of different manifestation of business management functions at different levels. As to the first point, we considered that, acting on the performance of practical or direct jobs—that is, operation or execution activities—among all business activities, business management was related to all execution activities as a steering force to maintain their systematic progress. Now, when the execution activities are viewed in conjunction with the logical development of business activities—usually it is assumed that they consist of several *process* activities or execution of finance, employment, purchase, production, and sale at the circulation

7) G. R. Terry, *Principles of Management*, 1956, p. 26.

process of capital—, we may also interpret business management activities as the *systematic* activities or functions in the sense that they maintain a *systematic* progress of these process execution activities or functions. As to the second point, in an effort to show that business management as it is related to all execution activities has different management field and the means to manage and is subject to specialization in conformity to the nature of every execution activity, we brought to light the relation or position of the special management existing under various forms of management in the actual operation of business to or in business management, by presenting some classification principles—namely, the process principle, the function principle, the object principle, and the management standard principle. As to the third point, we studied that, granting that business management activities comprise essentially and theoretically the functions of organizing, planning, directing, and controlling, the manifestation of these functions in actual business is not of the same degree at all levels; in other words, there are differences in degree of their manifestation at different levels.

Since such a study as this is nothing but an approach made from an organizational view point, it is well assumed that there are the limitations and problems of the ground of argument itself. But because business management activities were apprehended subjectively as the self-formation of an enterprise, the organizational view on which we built our discussion employed a very unique way of searching for the substance of organization in the system of consciously coordinated *activities* of individuals. But we have to note that because of this, the organizational view can satisfy the conditions of the subjective apprehension of business activities better than any other views. To put it in another way, business management as the self-formation function is to pursue consistently the subjective way of grasping by which it is distinguished, it will be far more important than anything else to direct attention to the activities of individual participants or the entity of an enterprise, and understand business management uniformly in the form of subjective participation of these members in business activities.

Of course, this does not mean that the organizational view on which our discussion was based is so perfect that it leaves nothing to be implemented. Some people have already pointed it out, and I myself have touched on it on another occasion (my article, Individual and Organization, *KEIZAI RONSO* vol. 78, No. 1). Therefore, further examination and implementing studies are required of the organizational view itself, but in the present article I was primarily concerned with the meaning of the theory of business management to be developed on the basis of such an organizational view in the proper work of theoretical arrangement of business management. Therefore,

I am hoping to take another opportunity in near future to implement the organizational view itself, and at the same time to discuss more practical development of management activities based on such system of business management.