

# THE KYOTO UNIVERSITY ECONOMIC REVIEW

MEMOIRS OF THE FACULTY OF ECONOMICS  
IN THE KYOTO UNIVERSITY

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Vol. XXV No. 2

OCTOBER 1965

Whole No. 79

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PUBLISHED BY

THE FACULTY OF ECONOMICS, KYOTO UNIVERSITY

SAKYO-KU, KYOTO, JAPAN

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## TOWARD A UNIFIED THEORY OF MANAGEMENT: A PROPOSAL

—CRITICAL EXAMINATION OF MANAGEMENT THEORIES—

By Yasujiro YAMAMOTO\*

### I Introduction

#### 1 Critical Examination of Management Theories

The year 1926 marks an important date in the history of management studies in Japan. In July of that memorable year The Japan Association of Business Administration was founded, and the founding of an organization like this foretold a bright future for the study of management in Japan. Truly, the science of management has made remarkable progress during the past four decades and such progress has been made possible mainly by the favourable influences of works and researches by German and American scholars. It may be pointed out in this connection that the maturing of management study has always been matched by corresponding development and growth of the Japanese economy and business practices and vice versa.

Compared with forty years ago, there are more scholars doing research in various fields of management; methods of approach have improved considerably; the subjects of management study have been established;

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interest in management is more sophisticated. It may be safe to assume then that the science of management has acquired distinction as a separate academic discipline which it was not granted forty years ago.

It seems to me, however, that in spite of these developments which seem only external to the study, the science of management has not yet grown internally to the extent desirable. In other words, there has not yet been made any vigorous inquiry into what I consider the interior of management and no study in comprehensible language of what management really is. My impression is that so little attention has been given to this question, and I would like to remind all who are concerned about the future of management study that, if it is to make further progress, it is absolutely necessary for us at least to be aware of this fundamental question and try to contemplate the basics of management study.

The next year, 1966, being the fortieth anniversary of the founding of The Japan Association of Business Administration, I should like to take this opportunity to look back at the history of management studies in Japan. In the following chapters various schools of management thought are critically examined, and attempts are made to solve some of the problems involved in management study. For I consider that future development of the science of management does presuppose an examination of this nature.

There seem to be two points of view—one is negative and the other positive—with regard to the advisability and necessity of critical examination of various management theories and also of constant assessment of the methods of approach to the problems of management<sup>1)</sup>. According to the former or the negative point of view, any attempt to examine critically several different theories and methods of approach is superfluous, so long as the problems are individually considered and solutions are pursued individually. This point of view also holds that consideration of *actual* cases constitutes the essence of management study. To use an analogy, what is to be contained (the content) is more important than that which contains it (the container). Those who take this point of view are, generally speaking, optimistic about the present state of management study. For example, Herbert A. Simon writes that “Far from being dismayed by semantic confusion in the field of management, I am exhilarated by the progress we have made in our generation toward creating a viable science of management and an art based on that science”<sup>2)</sup>.

1) Yasujiro Yamamoto, *Keieigakuhonshitsuron (The Essence of Management Study)*, Tokyo, 1961, p. 21 ff.

2) Herbert A. Simon, “Approaching the Theory of Management”, in Harold Koontz (ed.), *Toward a Unified Theory of Management*, New York, 1964, p. 79.

Those who hold the other or the affirmative point of view are those who have a pessimistic opinion of the "science" of management as it is today. They are those who also think that serious tests must constantly be applied to management theories and methods of approach, if it is ever to develop into a "viable" science. The previous metaphor may be stated in reverse: one cannot separate the container and the content, instead he must choose the container in relation to what is to be contained in it.

As I look at the historical growth of management studies, I cannot but notice that the affirmative viewpoint regarding the necessity of critical examination of various theories is gaining ground and that there seem to be more and more scholars who are becoming interested in a critical examination of this sort. However this should not be taken to mean that the affirmative is definitely superior to the negative viewpoint and that therefore everyone should accept it. In my opinion it is futile even to try to show that one is preferable to the other. What I should like to point out is this: these two points of view have come to the fore almost alternately and it was the conditions of the times that made one viewpoint prevail over the other. Let me illustrate this. Nearly half a century ago when the first systematic study of management was being made in Germany, efforts were directed more toward exploring actual management problems than toward critically examining the meaning and worth of the exploration itself.

The science of management has had to come a long way to gain the prominent position that it has today, but it has not been without its share of confusions and difficulties. Just to give an example, there are so many different interpretations of what management is and so many conflicting theses expounded by different thinkers. Management theorists may be roughly classified into two groups, the American camp and the German camp, and their interpretations of what management is are very different from each other. Even among American scholars there are "various schools of management thought". Harold Koontz lists six of them as follows:

- (1) The Management Process School
- (2) The Empirical School
- (3) The Human Behavior School
- (4) The Social System School
- (5) The Decision Theory School
- (6) The Mathematical School<sup>3)</sup>

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3) *Ibid.*, pp. 3-10.

I have my reservations in regarding them as equally representative of the field known as management. I cannot help voicing my doubt as to whether they all pertain to management study in the strictest sense of the term.

It cannot be denied that of all the confusions seen in the study of management, none is more serious than what Koontz calls the "management theory jungle" or "a kind of confused and destructive jungle warfare"<sup>4)</sup>. It is a warfare because each party claims its superiority over the others.

The trend seems to me to be toward even greater confusion, for the field is becoming wider and wider. That is to say, technological innovation and demand for more efficient business operation are actually widening the areas of investigation. And what is worse, under the pretense of interdisciplinary approach, scholars no longer seem to care about the boundary of management study proper; very few, if any, are seriously concerned about the problem of what E. Schmalenbach calls the loss of direction (*Richtungslosigkeit*). The state of management study being as it is, I am puzzled to see how anyone like Herbert A. Simon can remain so optimistic as not to ponder the future of management study proper.

In addition to the urgent need to clear up the confusion in management thought, there is another reason why we should examine critically various theories and methods of approach to management problems. Our age is one of the so-called third industrial revolution and this rapid change in the production techniques demands reform or change in the structure of business management. There has to be a kind of management structure that is suited to the new economic environment.

What I have been driving at should be obvious by now. Of the two points of view regarding the advisability of critical examination of management theories and methods of approach, the affirmative viewpoint is apparently what we should have today in view of the "management theory jungle" and also of the demand for a new, up-to-date theory of management. I think such critical examination alone can meet the formidable challenge of the time and accomplish the kind of clearing job that is so urgent at the present time. The negative attitude like that of Herbert A. Simon is something we should think about seriously.

Such a task calls for a new orientation in our thinking. Efforts have already been made in Germany and Japan, and even in the United States which was once thought as a barren land for speculative thinking,

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4) *Ibid.*, p. 10.

to throw a new light on the kind of knowledge we have of management. P. F. Drucker speaks of the need of a "New Philosophy"<sup>5)</sup> and J. W. Culliton thinks that we are in the "Age of Synthesis"<sup>6)</sup>. And generally conservative Koontz takes a critical look at management study in the United States and insists that "a unified theory of management" must be formulated<sup>7)</sup>. There has never been a time more ripe for critical examination of conflicting, contradicting theories and methods of approach to the problems of management. Examination of this nature may prove painful and often destructive to some people, but I am convinced it should prove constructive and creative in the long run. With this in our mind, we shall first compare and contrast several management theories and then explore the possibility of synthesizing or integrating them into some sort of coherent system. It is hoped that the present study will in its way contribute to the task of making clear what the essence of the science of management really is.

## 2 Various Schools of Management Thought

Critical examination of management theories does not intend to treat them by logic alone. It assumes the existence of several different views of management and applying to them a comparative analysis.

It is extremely difficult to try to classify anything or to make the classification complete and perfect, for one cannot expect to apply the principles of classification or fundamental assumptions equally to the things that have to be classified. Moreover, they cannot always be arranged neatly and make sense to everybody. Theories, methods or knowledge of certain thing are especially hard to classify into any kind of neat, reasonable system. Needless to say, management theories are not an exception.

The very manner in which one classifies various management theories reveals something of the position taken with regard to the interpretation of management. It also reveals the degree of awareness each scholar has concerning the problem of defining what management is. Let me illustrate what I mean. Take the example of Koontz. He belongs to the "Management Process School" and no doubt he shows his preference for this school of thought. This can be verified by the fact that he tries to unify all other schools of thought into his and also by the fact that he has left out—intentionally perhaps—those theories which consider the business or economic aspect of management. On the contrary, W.

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5) P. F. Drucker, *The Landmarks of Tomorrow*, New York, 1959, p. 1 ff.

6) J. W. Culliton, "An Age of Synthesis", *Harvard Business Review*, Sept.-Oct., 1962, p. 180 ff.

7) Harold Koontz, *op. cit.*, p. 235 ff.

W. Haynes and J. L. Massie do include managerial economics and present the "main streams of management thought" as follows:

- (1) The Scientific Management
- (2) The Universals of Management
- (3) The Human Relations
- (4) The Managerial Economics & Accounting
- (5) The Behavioral Science
- (6) The Quantitative Approaches<sup>8)</sup>

However even their study needs further verification and there are some details to be supplied.

The present author has in his other work pointed out that management theories as developed in the United States may be classified in terms of the subject treated and overall viewpoints, and suggested an arrangement of theories as follows:

- (1) The Engineering Approach
- (2) The Executive Approach or Functional Approach
- (3) The Human Relations Approach
- (4) The Institutional Approach or Organizational Approach
- (5) The Managerial Economics Approach
- (6) Business Management Approach<sup>9)</sup>

I have also pointed out that the arrangement is more or less in historical order and that therefore the fundamental issue today is the last "approach" or business management approach, the chief proponent of which is P. F. Drucker.

My list does not include the management theories that have developed in Germany and Japan, so it is far from being a thorough or comprehensive arrangement of management theories. Therefore it was thought necessary to prepare another list based on different—broader—principles of classification. In addition to the main subjects of concern and methods of approach, it was asked how each theory stood looked from the point of view of autonomy of the discipline: Does each theory support the claim of autonomy of the science of management? The following is a revised classification of management theories:

I Management as a Branch of Economics (Economics School in a broad sense of the term)

- (1) Negation of Autonomy of Management (Economics School in a strict sense of the term)
- (2) Affirmation of Relative Autonomy of Management (*Betriebs-*

8) W. W. Haynes and J. L. Massie, *Management: Analysis, Concepts and Cases*, Englewood Cliffs, N. J., 1961, p. 2 ff.

9) Yasujiro Yamamoto, *op. cit.*, p. 156 ff.

*wirtschaftslehre* or Managerial Economics)—the German School including the American Business or Managerial Economics School

## II Management as an Independent Discipline (Management in a broad sense of the term)

- (1) Management Function or Administration (Classical or Traditional School of Management)—the American School
- (2) The Modern Theory of Organization

## III Management Proper as an Independent Science (Management in a strict and proper sense of the term)<sup>10)</sup>—the Keiei School<sup>11)</sup>

In the following chapters the economics school, the management function and the modern theory of organization will be compared and contrasted, and the management proper will be proposed as the management theory touching upon the basics of the subject.

### 3 Requirements and Methods of Critical Examination

Anyone who is seriously concerned with the kind of critical examination suggested here may do well by questioning the present state of management study in general; he must not assume an air of contentment. Then he will proceed to the next step, that is, to ask what the science of management is all about, and what constitutes the basis of its autonomy.

As has been stated in the preceding section, there are several different interpretation of management and there are variations even within the the same school of thought. Our task here is to analyse critically each management theory; contemplate what constitutes the proper subject for management study; and then compare how each theory deals with the subject. After this initial work is done, we must formulate our findings into some meaningful system and find a way which to make the science of management a separate academic discipline. I am convinced that after these speculations we may expect find the basis for a true science of management.

To ask what has to be done tells us how we should go about it, or the methods and means of approach to various management theories. There are two ways to look at the various theories. The one way is to review the historical growth of the theories; this will give us some indication of the general trend of management theory. The other way is to examine the "logic" or the inner structure of each management theory; this will

10) Yasujiro Yamamoto, *op. cit.*, p. 249 ff.

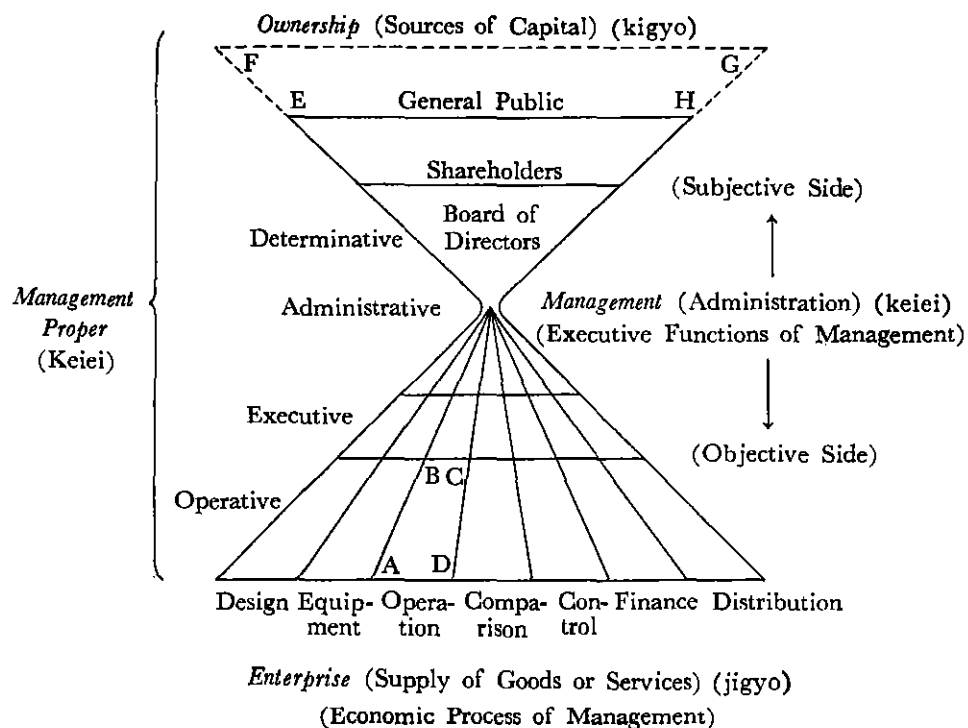
11) The origin of this Japanese word is found in *Mencius*. The passage reads: Build an observation platform and supervise and administrate its operation. The word (*Keiei*) as used today stands for the unity of the creation of business (*kigyo*) and the operation of an enterprise (*jigyo*) by management functions (*keiei*). For the discussion see Chapter V.



tell us whether any particular management theory is a valid and universal statement of management principles or not.

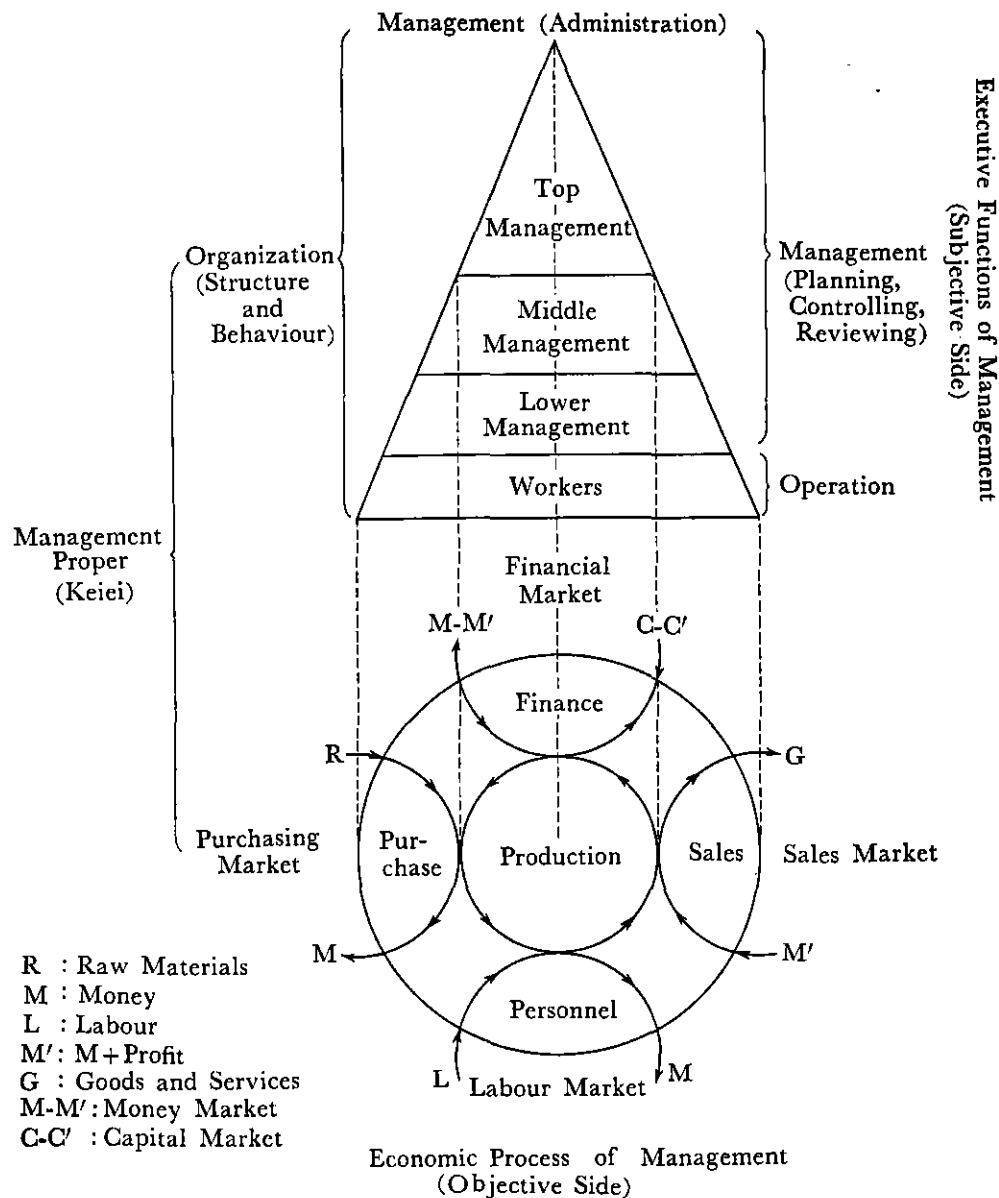
The arrangement of management theories previously referred to is both logical and historical. The hypotheses and generalizations of each theory were considered and the theories were arranged roughly in the order of their appearance. It is not difficult to see from such a chart of historical development that the economics school which appeared before any other theory may be regarded as a "thesis", the rest will follow like this: management function or administration will be an "antithesis", and organization theory a "synthesis". Looked at from a different angle, the economics school and management function or administration together may be regarded as a "thesis" and organization theory an "antithesis", then the management proper will become a "synthesis" to them. An antithesis is in opposition to the thesis that precedes it and a synthesis is supposedly an improvement over the others, for the shortcomings of the thesis will have been modified and opposition of the antithesis resolved

CHART I. THE BASIC STRUCTURE OF MANAGEMENT



- 1) This chart is designed to show the basic structure of management according to A. D. Denning, *Scientific Factory Management*, London, 1919, p. 50.
- 2) We can also see a balance sheet relations in this chart. The debtor side is seen in the enterprise and the creditor side in the ownership; and the management is represented by the line between the debtor and the creditor.
- 3) If we fold the reverse triangle back to back to the lower triangle and superimpose what we have on Chart II, we can find the relation between Chart I and Chart II.

CHART II THE BASIC STRUCTURE AND PROCESS OF MANAGEMENT



and incorporated into a new, higher level<sup>12)</sup>.

Before going on to critically examine various theories of management, it is imperative that I should make clear my terminology or what I mean by the use of certain fundamental terms.

First of all, the term "management" must be defined. When I say "management proper", I mean the totality of the ownership (source of capital) and the business enterprise which is integrated by the manage-

12) Yasujiro Yamamoto, *Keieigakuyoron (The Fundamentals of Management Study)*, Kyoto, 1964.

ment functions (*keiei*) (see Chart I). Principles of management then are the basic rules and assumptions that can be applied to any kind of "managing" or "directing" of an affair or an enterprise.

Management of a business enterprise in my opinion has at least two sides; the economic and the administrative or executive side (see Chart II). The economic side is represented by the circle below and which shows the movement of economic factors, namely, purchase, capital investment, finance, labour, production, sales and other transactions. The administrative side is represented by the triangle above and it relates to the organization and management, that is, the coordination, the cooperation of various executive functions. Management, conceived thus, is a much broader and more comprehensive notion than mere administrating or executing of certain business functions. In the true sense of the word it encompasses the economic side as well. Therefore my use of the word "management" is not to be confused with whatever meaning is associated with the word—certainly "top-management" is not what I have in mind when discussing the problems of managing.

The two sides of management are organically related. To see this it is necessary to picture a cone, rather than a plane (triangular) and a circle put together each touching the other only by a hair line. The view from the top of the cone will look like the circle showing the economic side; the view from the side will look like the triangle showing the relationships of various executive functions. And, it may be reminded, at every level the economic and administrative activities are intertwined and at the same time have their distinct role.

The Japanese word *Keiei* should be used to designate what I mean by management. The German *Betrieb* and *Betriebswirtschaft* stresses the technical and economic side and tends to neglect the administrative side, whereas the English *management* as customarily used tends to do the opposite; it stresses the administrative function—in this case executive may be better—and drops the economic side. It is significant for the science of management that the Japanese *Keiei* implies both the economic and the administrative sides. The *keiei* I have used in explaining Chart I is different from this and these two are not to be confused.

## II The Economics School (Managerial Economics)

### 1 Outline

The German school and American school are the two main streams of management thought. The chief characteristics of the German school

is its emphasis on the economic side of management, and that of the American school is its concern with the principles of management function or administration. Although there are some fundamental assumptions that they have in common, the two schools of management thought are diametrically opposed in other aspects. To use a Sombartian expression, there is as vast a difference between the two as if one of them were pertaining to the moon and the other to the earth<sup>13</sup>. In this and the following chapters our critical examination aims to make clear the differences or similarities of the two schools, but first we shall look into the nature of the German school of management thought.

The German school or the economics school perceives management in its relation to economics and sees it as a branch of the science of economics. However, there are several different views in deciding in what economic relations one may look at the economic side of management; namely, private economy, individual economy and business or managerial economy. But it will be more convenient to divide the different views into two groups according to whether they see management as a theoretical science or an applied science.

The so-called private economy controversy between Weyermann-Schönitz on the one hand and E. Schmalenbach on the other, which was the first of the series of great debates among the German scholars of management, centered around this issue: whether management is a theoretical or an applied science<sup>14</sup>. Those who subscribed to the latter view—applicability of management theories—seemed to carry the day but the issue was never settled. For today scholars like K. Mellerowicz and E. Gutenberg are engaged in the so-called third controversy in which the same problem is being debated<sup>15</sup>.

It seems to me that there is another more important way to arrange German management theories of business economics. That is to divide the theories into the negative and affirmative groups. The negative group thinks that management cannot be an independent discipline all by itself away from economics proper, and the affirmative group has the contrary position: it thinks that management can claim a field of economics thus acquiring relative independence of the study.

As the first and third controversies were on the nature of management as a scientific study, so the second controversy touched upon the question of the autonomy of the science of management<sup>16</sup>. The chief figures in this controversy were W. Rieger and F. Schönpflug. As in other con-

13) W. Sombart, *Die drei Nationalökonomien*, München, 1930, S. 1.

14) Yasujiro Yamamoto, *Keieigakuhonshitsuron*, p. 34 ff.

15) *Ibid.*, p. 53 ff.

16) *Ibid.*, p. 42 ff.

troversies, the second series of debates did not settle the question once and for all. Anyone concerned with the central issues of management problems is well advised to come to grips with the question of autonomy and contemplate it seriously. Moreover, we should not be so much concerned with the conclusion—whether the affirmative or negative view is correct—as the reasoning or the process of getting to the conclusion.

The main argument of the negative group is that management does not have objects of investigation unique to itself outside the field of economics, so it cannot be expected to be an independent and separate discipline by itself. At best management is, according to this group, a branch of economics. In other words, as long as management theoreticians content themselves in dealing with the problems of “business”<sup>17)</sup> and “individual capital”<sup>18)</sup>, which are the “economic side of management”<sup>19)</sup>, it has to remain within the field of economics. For “business” and “individual capital” are some of the subjects treated in economics and considered as its *proper* subjects. Thus management is unthinkable without its staying *inside* economics.

Contrary to this, the affirmative group holds the view that management has subject of its own which are different from the ones which we generally associate with economics. The subjects which management proper explicitly deals with, in other words, have very little in common with the subject of “national economy” which duly belongs to the field of economics proper. This is generally called relative autonomy or independence with conditions of management study.

H. Nicklisch should get credit for early developments of such concepts of management and economics<sup>20)</sup>, but K. Mellerowicz went even further and argued that management is not necessarily a small part of economics but a relatively distinct field by itself, and that “national economy” and “managerial economics” are as wide apart from each other as *das Schloss* meaning a castle or palace and *das Schloss* meaning a lock of a door are<sup>21)</sup>. Nonetheless both “national economy” and “managerial economics” are concerned with man’s economic activities, the former with economy at the national level and the latter with economics from the point of view of

17) W. Rieger, *Einführung in die Privatwirtschaftslehre*, Nürnberg, 1928, S. 72.

18) Torao Nakanishi, *Keieikeizaigaku*, Tokyo, 1931, p. 16. Dr. Nakanishi is the founder of a theory of individual capital based on Marxism and, although a representative of the negative group earlier, he announced his conversion to the affirmative point of view in 1958.

19) Nobuyuki Ikeuchi, *Gendaikeiriron no Hansei (Reflections on the Contemporary Theories of Management)*, Tokyo, 1958, p. 38 ff.

20) H. Nicklisch, *Wirtschaftliche Betriebslehre*, 5. Aufl., 1922, SS. 36–39; *Die Betriebswirtschaft*, 7. Aufl., 1932, S. 6.

21) K. Mellerowicz, *Allgemeine Betriebswirtschaftslehre*, 7. Aufl., 1952, Bd. 1, SS. 19–20.

an individual business enterprise.

It may be fair to summarise the growth of management thought in Germany as follows: it started out with the negative and later grew into the affirmative point of view concerning the relative place of management within economics. Today we understand by the "German school of management thought" the affirmative point of view or, more generally, managerial economics which tries to see management in its relation to economics and apply economic principles to the problems of management<sup>22</sup>). Efforts have already started to improve the theories of managerial economics so that it may acquire a more secure footing and thus transcend the limits inherent in the traditional concepts of management<sup>23</sup>).

## 2 Management and Economics

In conducting a critical examination of management thought one must always bear in mind that the task calls for a clear statement of what constitutes the proper subject of management study. If this phase of the task is successfully done, it will become much less difficult to define what management is and show the basis of its autonomy.

One of the factors which have hitherto hindered a better understanding of the relationship between management and economics is the fact that there was always a semantic problem. That is, management does not mean the same thing to everybody; words used roughly to mean "management" in different languages fail to convey the exact meaning—connotations are not always identical. For example, the German word *Betrieb* is widely recognized as the equivalent of English management, but originally it stood for a shop, an industrial establishment or a factory. It is not hard to see that a shop, an establishment or a factory is in fact a technical or production process and as such should not be the proper subject of management study. There are therefore some thinkers who are seriously opposed to including these in management

22) The affirmative view seems prevalent in Germany today. For example, Gutenberg recognizes that the subject of managerial economics is the economic side or aspect of business enterprises and that it naturally has the characteristic features of economics. E. Gutenberg, *Einführung in die Betriebswirtschaftslehre*, Wiesbaden, 1958, SS. 9-10.

23) For E. Schneider's thesis.....a synthesis as it were.....see Kiichi Ichihara, *Seidokukeiseikei-zaigaku* (*Managerial Economics in West Germany*), Tokyo, 1959, p. 107. But it is a synthesis of macro-and micro-economic analysis and I do not think it is so much of an original idea; a view like this is quite to be expected to come out of economics-oriented thinking. Moreover, he fails to see the difference between management and micro-economic analysis. This is crucial, for they are not the same things.

The influence of American management studies and the impact of a revised interest in organization on German scholars are very noticeable. For example, review the recent works of E. Gutenberg

study and give us a warning that the science of management will never gain autonomy, no matter how one studies them. They are those thinkers who urge the choice of business enterprise—*Unternehmung*—as the proper subject of management and also insist that a theory of private economy be established.

It seems to me that *Betrieb* can mean the economic or distribution process as well as the technical or production process. Then the study of management in the sense of *Betrieb* may be defined as an investigation into the economic side of management, thus enabling the application of economic principles to management. Management becomes managerial economics, and will be so regarded.

Yet it is hardly sufficient to look at management from the points of view of its technical and/or economic aspects. These are what may be called the objective processes of management, and there is another aspect, a subjective process, in it as well (see above Charts). Any term that is to be used to mean something like management must include this last aspect as well. the English word "management" seems comprehensive enough to mean both, but it has not quite acquired universal currency and there are even several conflicting interpretations of the key word, hence the management theory jungle.

### 3 Criticism of the Economics School

That the German school of management thought has made remarkable contributions to the development of management theory cannot be denied. However, I cannot help asking myself whether they have been even aware of the fundamental problem at issue; it seems to me that they have missed the point completely even when they tried to investigate the relationship between management and economics<sup>24</sup>. In this sense the German school has failed to provide us with a clear understanding of what management really is and what methods of approach we should be taking. But this is not to minimise, if I repeat myself, the work of scholars like Schmalenbach, Nicklisch, Hax and Gutenberg. We owe to their labour what management thought we have today.

To recognize and appreciate is one thing, and to apply a critical examination is quite another. My main objection to the German school is that the question of the autonomy of management study is not always placed in a proper perspective and, if it is ever fortunate enough to be treated accordingly, the treatment is rather dogmatic and/or missing the point at issue. Probably the rigid formalism and traditionalism of their thought has prevented them from freely expressing their views and

<sup>24</sup>) For more detailed discussion see my *Keieigakuhonshitsuron* previously cited, pp. 12, 64 ff.

conducting research along this line.

Let me be more specific about the points previously raised. Those who adhere to the negative point of view on the question of the autonomy of management seem to have ignored even the presence of such a question. At best they have satisfied themselves by looking at the question in too general a frame of reference, i. e., economics. Those who have the affirmative point of view have attempted to solve the problem by giving management thought only a place of relative independence *within* economics, i. e., business or managerial economics. What I would like to point out now is that the "theory of the firm", which managerial economists seem to be most concerned about, does not simply provide any ground of autonomy of the science of management; that the subjects of micro-economic analysis and the subjects of the science of management proper are not the same.

To sum up, what the affirmative group has been trying to achieve and what the negative group seems to have given up as impossible is to find the difference between "national economy" and "managerial economics" and make this difference the foundation of management study. However, such an endeavour has proved futile, for autonomy of anything cannot be stated in a relativist way; autonomy cannot be relative<sup>25</sup>. What should have been done rather is to separate the economic and administrative-executive aspects of management as far as possible—although they are too closely intertwined to do this in many instances—and discover the qualitative, structural differences between the two. For the former is the objective part of management (*Objektiv*) that gives direction to it and the latter its subjective part (*Subjektiv*). A new conceptual framework will emerge out of such research and it will contain both the objective and the subjective parts. Management should thus be perceived in a broader frame of reference than the one traditionally associated with German scholarship. If this is done, the problem of autonomy of the science is more than half solved.

There are some scholars in Germany who generally subscribe to managerial economics and who have re-oriented their thinking along this line. Gutenberg is one such thinker and he has been working hard to incorporate findings in other areas of management study, like administrative organization and decision-making processes, into his system and bring about a more comprehensive, more perfect theory of management proper<sup>26</sup>.

25) Torao Nakanishi, *op. cit.*, The author denies the autonomy of managerial economics in clear, comprehensible language in this work.

26) Gutenberg is generally believed in Japan to be a spokesman for managerial economics. But I do not agree with this popular estimate of his position. Approaches characteristic of business administration and a modern theory of organization are also discernable in his recent works; for example, *Grundlagen der Betriebswirtschaftslehre*, Bd. 1-2; *Unternehmensführung, Organisation und Entscheidungen*, Wiesbaden, 1962.



### III Management Function or Administration

#### 1 Outline

In the preceding chapter it was stated that the first task (*Aufgabe*) for the economics school of management thought is to try not to see management as merely a form of economic relations but to understand there are other elements involved in the management of a business enterprise. The proposed conceptual framework is a view which proposes an integration of the objective and the subjective part of management.

In the present chapter the American school of management thought is discussed. It will be shown that American scholars have held very different assumptions and generalizations about management from those of their German counterparts, and that management theories advanced here are good examples of American scholarship in a broad sense of the word.

The main characteristics of the American school is its emphasis on analysis of management functions or administration. Frederick W. Taylor is popularly acclaimed as the founder of this school of thought, but I think credit is due, although it may sound ironical, to the French management theorist, Henri Fayol.

Taylor and Fayol approached the problems of management with different objectives and with different backgrounds. Haynes and Massie therefore distinguish the "scientific management movement" which Taylor stated and the "universals of management" which Fayol formulated. Anyway management studies in the United States have developed along the paths laid by these pioneer thinkers and have produced prominent researchers like O. Sheldon, M. P. Follett, J. D. Mooney, A. C. Reiley, P. E. Holden, L. S. Fish, H. L. Smith, L. Urwick, R. C. Davis, W. H. Newman and H. Koontz. There are some Japanese scholars, it may be pointed out, who share with them the basic assumptions of management function or administration.

Critics have called this school of thought by various names such as the traditional, classical or universalist school. Giving the name the "management process school", Koontz characterizes this school as follows:

This approach to management theory perceives management as a process of getting things done by people who operate in organized groups. By analyzing the process, establishing a conceptual framework for it, and identifying the principles underlying the process, this approach builds a theory of management. It regards management

as a process that is essentially the same whether in business, government, or any other enterprise, and which involves the same process, whether at the level of president or foreman in a given enterprise. It does, however, recognize that the environment of management differs widely between enterprises and levels. According to this school, management theory is seen as a way of summarizing and organizing experience so that practice can be improved<sup>27)</sup>.

Although Koontz calls it the process aspect of management, I would rather go along with E. Dale who thinks that the characteristic of this school of management thought is its functional approach<sup>28)</sup>. Koontz himself realizes this and says :

The basic approach this school takes, then, is to look first at the functions of managers—planning, organizing, staffing, directing, and controlling—and to distill from these functions certain fundamental principles that hold true in the understandably complicated practice of management<sup>29)</sup>.

To sum up, the management function or administration school perceives management in term of administrative function and considers it as a science of administrative practices and doctrines. According to this school of thought, management is no doubt an independent discipline, for it deals with a subject, administrative function, that cuts across various human activities.

## 2 Management and Administration

As the proponents of managerial economics stressed the economic or objective side of management, so the adherents of administration approach management with emphasis on its administrative-executive or subjective side. I think administration is an improvement over managerial economics in that it treats and tries to find out in what direction the business enterprise is heading. For the orientation of administrative principles—and hence the reasoning back of regulating various executive functions—is the very direction that the business enterprise itself is taking.

Administration throws a new, unique light on the problems of management; certainly it takes a different approach from that of managerial economics in respect to the understanding of the various elements included in management. Here in this section the relationship between management proper and administration—or differences perhaps—must be considered.

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27) Koontz, (ed.), *op. cit.*, p. 3.

28) E. Dale, "The Functional Approach to Management", in *ibid.*, p. 20 ff.

29) *Ibid.*, p. 3.

Hitherto some sort of confusion seems to have existed in the use of these two terms. They have often been used interchangeably and definitions given to them are arbitrary and loose. The confusion seems to arise from one's almost unnecessary preoccupation with the meaning of the words, which does not contribute in any way to clearing up the confusion. Needless to say, confusion of this kind is wasteful, and I am convinced that it will be cleared away if one throws out preconceived ideas and observes carefully the actual business practices and structures. Then it will be shown that management and administration are not necessarily identical entities but two separate things.

In discussing management's relation to administration or vice versa, we will be better off if we go back to Fayol's thesis of the universality of management principles.

The French word "*gouvernement*" in the Fayol's usage may be translated into English as "management", which covers both the administrative and the economic sides of management proper (see Charts), and Fayol lists six activities which are necessary to the achievement of an enterprise or the fulfillment of *gouvernement*. They are: (1) technical (*opérations techniques*), (2) commercial (*opérations commerciales*), (3) financial (*opérations financières*), (4) security (*opérations de sécurité*), (5) accounting (*opérations de comptabilité*), and (6) administrative (*opérations administratives*). These are the so-called six functions of management and of these six the administrative function is the unifying and guiding principle of all other functions. This administrative function is what we generally mean by the English term "management function" or "administration". It also contains the so-called five elements of administration: plan (*prévoir*), organize (*organiser*), command (*commander*), coordinate (*co-ordonner*) and control (*contrôler*)<sup>30)</sup>.

With Fayol management and administration are two different things, and he has this to say about the distinction:

It is important not to confuse administration (*administration*) with management (*gouvernement*). Management means conducting an enterprise toward its end so that it may get maximum profit out of available resources; it means the progress of the six essential functions. Administration is nothing more than one of the six functions with which management should progress. However, it holds such an important place, like the role of great chiefs, that it is quite possible for anyone to assume that the *role* is exclusively administrative<sup>31)</sup>.

Fayol's thesis was later expanded by L. Urwick, E. F. L. Brech and

30) Henri Fayol, *Administration Industrielle et Générale*, Paris, 1950, pp. 1-5.

31) *Ibid.*, p. 5.

others<sup>32)</sup>, and thinkers like Davis and Koontz have been working to put into some kind of coherent system the theories and generalizations that developed since then<sup>33)</sup>. So it is very reasonable that so much credit has been given to Fayol as founder of an extremely useful theory of management. Especially Koontz thinks very highly of his contribution to management thought and says :

Had the work of the French industrialist, Henri Fayol, not been so overshadowed by the enthusiasm for Taylorism, the history of management theory might well have been changed and the principles of general management advanced much earlier<sup>34)</sup>.

We have nothing to say against this.

### 3 Criticism of Management Function or Administration

If one can say that the German school of management thought (managerial economics) is the product of commercial and trade practices which have a long history and tradition there, then the American school (management function or administration) may be regarded as the logical development of industrialism which grew tremendously in the United States especially in recent years. It is also the outgrowth of practices in industry in general and thus a theory based on such practices. As such it is supposed to give *practical* solutions to management problems. One may be impressed by the contributions in this field of the practitioners or people who have the experience of actually managing an industrial enterprise.

It has been noted elsewhere that the main difference between managerial economics and administration is that the subject matter of the former is the performance of the economic aspect of management proper, whereas that of the latter is the actual working of functions. In other words, managerial economics looks at management from outside (looking objectively) and administration from inside (looking subjectively)<sup>35)</sup>.

My criticism of the attempt to equate management with administration is that the end product is no other than a theory of management function; it only tells how several functions within an enterprise should be conducted. Looked at from an academic point of view, it gives us an indication as to which way management study should be heading,

32) L. Urwick, *The Elements of Administration*, London, 1943; E. F. L. Brech, *Management*, London, 1946.

33) Ralph C. Davis, *The Fundamentals of Top Management*, New York, 1951; H. Koontz and C. O'Donnel, *Principles of Management*, 2nd ed., New York, 1959.

34) Koontz and O'Donnel, *op. cit.*, p. 23.

35) In early years of management study in Germany there used to be a distinction made between *Betriebslehre* and *Verkehrslehre*. The former would stand for business administration and organization; the latter managerial economics.

but it does not tell us how to go about it.

Administration gets itself into trouble when it limits at the very outset the scope of investigation to executive practices and thus perceives management in an equally narrow and one-sided frame of reference. Although it has made valuable contributions to the science of management and shown a remarkable insight into the intricacies of management proper, administration has shortcomings and limitations which could be too formidable to make it the theory of management. These shortcomings and limitations will be better seen when we turn to another important theory of management, namely, the modern theory of organization.

#### **IV The Modern Theory of Organization**

##### **1 Outline**

In addition to its being too narrow in vision and its being yet immature and undeveloped as an academic discipline, administration has a few other weaknesses.

The first weakness is that it contains several principles which are in apparent contradiction to each other. The second weakness is that it sees the problem of organization as only an organizing phase of management just like any other phases, e.g., planning, controlling and so on. Organization is no more or less than means of management according to administration. Organization in my opinion however should receive the proper attention it certainly deserves, although it received some attention in the past. For example, managerial economics, which had hitherto neglected the problem of organization, has begun to reorient its thinking more favourably toward organization.

Organization as a conceptual framework is much more than a mere tool to be made use of in the management of a particular enterprise. It is an entity by and in itself; it has an object and subject of its own. Moreover, the fact that organization at all levels of enterprise is getting bigger and at the same time becoming more complex and that it occupies today an important place in man's life, has caused some scholars to think that we have reached the "Age of Organization". Research in organization is therefore more relevant today than in any other age and man's organizational activities must be investigated more systematically than was previously done.

Efforts have already been made to examine closely the traditional principles of organization, especially those principles which have been

formulated by the administration school of thinkers. An independent study of organization seems to be holding more and more secure ground.

John H. Pfiffner and F. P. Sherwood have this to say about the developmet of a new, modern theory of organization: "Toward the end of 1930's there emerged a revolt against traditionalism in organization theory". They also point out that this revolt came from several different sources and that various schools of thought contributed to its formation<sup>36)</sup>. One thing they had in common was their criticism of the traditional principles of organization as then held by managers and executives that they were narrow and not comprehensive enough. Evidence to support Pfiffner and Sherwood's observation is plentiful. To name a few examples, we will have an impressive list of the Hawthorne studies of human relations under the leadership of E. Mayo, the growth of the concept of informal organization, and Chester I. Barnard's epoch-making theory of the cooperative system. Since then, to quote E. G. Koch, "it has become fashionable to take shots at the traditional school of organization and control"<sup>37)</sup>. Moreover, the so-called interdisciplinary approach has opened up an entirely new field; that is, the findings of the behavioral sciences, social system theory and decision theory have placed the problems of organization in a perspective which was never thought of a few years ago. The concept of organization has become so prominent and so widespread that some scholars even suggest including management theories in the science of organization.

Although H. Nicklisch, F. Schönpflug and F. Nordsieck of Germany also envisaged a synthesis of organization theories<sup>38)</sup>, it was the late Professor Keiji Baba of Japan who tried to formulate a general theory of organization by incorporating German and American, traditional and modern, theories of organization and to establish the foundation of the science of management in organization theory. Truly we owe to him what organization theory we have today<sup>39)</sup>.

According to Professor Baba, management can be perceived as an autonomous study only in terms of "organization theory of a business organization"<sup>40)</sup>. Only then does management become a respectable

36) John M. Pfiffner and F. D. Sherwood, *Administrative Organization*, Englewood Cliffs, N. J., 1960, p. 96.

37) E. G. Koch, "Three Approaches to Organization", *Harvard Business Review*, Mar.-Apr., 1961, p. 36.

38) H. Nicklisch, *Der Weg aufwärts! Organisation*, Stuttgart, 1920; F. Schönpflug, *Der Erkenntnisgegenstand der Betriebswirtschaftslehre*, Stuttgart, 1936; F. Nordsieck, *Grundlagen der Organisationslehre*, Stuttgart, 1934.

39) Yasujiro Yamamoto, "Baba Keiji Hakase to Wagakuni no Keieigaku (Professor Baba's Contributions to Management Study in Japan)", *Hikone Ronso*, Com. issue of Nos. 83 and 84, Dec., 1961.

40) Keiji Baba, "Keieigaku no Chushinnaiyo toshiteno Soshikiriron nitsuite (Organization Theory as the Essence of Management)", *PR*, Vol. 6, No. 7, July, 1955, p. 6.

member of the social sciences. If this is true, organization is not one phase of management but management itself<sup>41</sup>.

His theory of organization is a unique concept in that it is the product of all previous endeavours to sublate the major theses of the economics school and the administration school. In other words, it tries to preserve and elevate the conflicting principles, i. e., managerial economics and business administration, into substantial elements of a synthesis.

## 2 Management and Organization

The problems of organization are as old as man's history but its importance has been seldom appreciated. It is only in recent years that more attention has been given to organization and that people have become aware of the problems involved. Although it is by no means an easy task to conceptualize organization in any comprehensible terms and even the simplest question on the subject of organization cannot be answered with a high degree of certainty, it is not hard to see that there must be some kind of relationship between organization and management, between organization and administration. I think this is a valid assumption and I shall proceed next to discuss how it can or cannot contribute to our understanding of management, how much it can or cannot help us clear the "stumbling block" in management study and clear up the management study and clear up the management theory jungle, as Koontz calls it very appropriately.

It has been stated previously that the traditional administration school perceives organization as a means of management, that is, as a means with which to carry out an objective. There organization is perceived as an organism model or a machine model, the latter concept being the completion of an organism model. In short, organization is regarded by this school of thought as something that is desirable or as an ideal plan of management structure. Organization is not considered in terms of what is actually taking place or functioning<sup>42</sup>. Later research explicitly pointed out however that organization is in fact an aggregation of individual activities, a social system or coordinated activities of individuals working toward a certain goal. Interestingly enough, once such notion of organization is accepted, it would make some sense to say that

41) *ditto*, "Ningensoshiki no Kenkyu niokeru kōgo no Tenkai notameni (Aimed at the New Development of Human Organization Study)", *PR*, Vol. 5, No. 7, July, 1954, p. 6.

42) Yasujiro Yamamoto, "Keieisoshikigainen to Soshiki no Ronri (The Concept of Business Organization and A Theory of Organization)", *Hikone Ronso*, No. 53, Mar., 1959. *ditto*, "Soshikiron no Kata to Keieigakuteki-soshikiron no Mondai (Theories of Organization: An Examination)", in The Japan Association of Business Administration (ed.), *Keieigaku niokeru Soshikiron no Tenkai, Yakuwari, Chii* (The Position, Role and Development of Organization Theory in Management), Tokyo, 1963.

management is after all a form of organization or, to be more specific, a business-oriented organization. Management is then an organization of business which is geared to the production of certain goods or services and the theory of management becomes a part of the science of organization<sup>43</sup>. Put more bluntly, organization is now proposed as definition of management.

Granted all these speculations, one may entertain an analogy like the following. The traditional principles of organization, whether developed by the economics school or the administration school, touched upon only "the edge of organization"<sup>44</sup>, whereas the modern synthesis for the first time reached "the flesh and bones"<sup>45</sup> of an organization.

### 3 Criticism of the Modern Theory of Organization

My main criticism of the modern theory of organization is that it seems to have left out the central issue of management study; that is, management itself. I would like to ask those who adhere to the modern theory what place management occupies in their scheme. For it is my contention that, no matter how thoroughly one may look at the actual working of an organization, he will not ever be able to understand the general principles of management. For in my opinion management proper has elements other than organization and one cannot make a pretension that management is a branch of the science of organization.

What is needed here is again a clear and comprehensive definition of organization. If the approaches made by managerial economics and administration were too narrow and too mechanistic, that of the modern synthesis is too broad and at times dangerously lacking rigorousness. To illustrate my point, let us discuss the implication of Professor Baba's thesis. According to his thesis, management should have the following five elements: (1) organization for work, (2) flow of values of goods and services in an organization, (3) human relations in an organization, (4) technology and management, and (5) management and society<sup>46</sup>. Any theory of organization, if it claims to be complete or comprehensive, should have all these elements; "a theory of organization in the broadest sense of the term" is this. However, "a theory of organization in the narrow or strict sense" may contain only elements (1) and (3). What do

43) See Keiji Baba, *Soshiki no Kihontekiseishitsu* (Basic Characters of an Organization), Tokyo, 1941; *Soshiki no Chosaiyoku to sono Shorinenkei* (Coordinating Powers of Organization and its Ideal Types), Tokyo, 1948; *Keigaku to Ningen-soshiki no Mondai* (Management and the Problems of Human Organization), Tokyo, 1954.

44) Chester I. Barnard, *The Functions of the Executive*, Cambridge, Mass., 1938, Preface, p. ix.

45) H. A. Simon, *Administrative Behavior*, 2nd ed., New York, 1957, Preface, p. xiii.

46) Keiji Baba, "Honkakutekinaru Keigaku no Genjo o motomete (Effort for Foundation of the Science of Management)", *PR*, Vol. 8, No. 8, Aug., 1957.



Professor Baba's two theories of organization really mean? What do they lead to?

It seems to me that a complete or broad theory of organization, as Professor Baba calls it, is in fact a theory of management itself and that a narrow theory of organization in his phraseology is an equivalent of a theory of organization *proper*. The problem of the traditional principles of organization is that they failed to see the different meanings of organization. The problem will persist, I would like to give a warning here, as long as one sees Professor Baba's thesis as consisting of only *one* theory of organization, thus mistaking two *theories* of organization, one broad and the other narrow, for *the* theory of organization. One must always be reminded to see the distinction between the two; otherwise confusion is sure to follow.

The same caution may be applied to the understanding of Chester I. Barnard's theory of organization. His theory is based essentially on three assumptions: (1) the notion of a cooperative system, (2) organization, and (3) executive functions commonly known as management. Hence Barnard's three-layered theory, as I call it.<sup>47)</sup> What he calls the cooperative system is what we generally associate with the term management proper or *Keiei*. It is quite evident that he distinguishes the principles of "management proper", and the principles of "organization" and the principles of "executive function". I think that one serious fault of the modern synthesis is that it interprets the meaning of organization too liberally as to miss the subtle distinction Barnard has made between management proper and organization proper<sup>48)</sup>. It generally touches the essentials of management proper, but it more often than not overshoots itself and leaves management behind. It falls into the trap its very success has created. If this is the case, a gross injustice has been done to his otherwise very penetrating thesis.

A theory of management will be safely established only after the claims of managerial economics, administration and the modern theory of organization have been carefully weighed and their shortcomings closely examined. In many ways they supplement each other. Conscious efforts on our part to retain the good things and correct the bad things of the existing theories alone promise to make management a truly respectable science.

47) Yasujiro Yamamoto, "Barnard's Soshikiriron no Keieigakuteki Igi (The Significance of Barnard's Theory of Organization to Management Theory)", *Hikone Ronso*, No. 91, Oct., 1962.

48) Keiji Baba, "Barnard no Soshikiriron to sono Hihan (Barnard's Theory of Organization: A Criticism)", in Baba, (ed.), *Collection of Essays on Management*, Vol. 3, Tokyo, 1956; *ditto*, *Soshiki no Kihontekiseishitsu (A Basic Characters of an Organization)*, Tokyo, 1941.

In the United States organization is not limited to a business organization. The term is used more widely to include organizations of any sort, at all levels.

## V Management Proper (The *Keiei* School)

### 1 Inevitability of Management Proper

We have been critically examining several theories of management, namely, managerial economics, business administration and the modern theory of organization. We must now consider our original question, what is the science of management? and we should make a proposal for a unified theory of management. The present critical examination of management theories will end with the presentation of our own theory of management.

It must be noted at the outset that we have been using the term management rather loosely. By management we have generally meant anything that has to do with the problems of managing or directing or governing. We have been calling a theory of management equally managerial economics, business administration and a modern theory of organization. And it has been generally agreed to call a theory of management all the theories about decision-making, channels of communication, public relations and anything else that is considered a legitimate activity in any business enterprise. All these theories and approaches do have something to do with the problems of managing, some more than others. But just having something to do is not a sufficient reason to make any of them—or call it—a science of management. They either wander about at the “edge of management” or stay away from the “flesh and bones of management”, if we may paraphrase Simon’s and Barnard’s expressions. To give a few specific examples, managerial economics intentionally did not think about the nature of management proper; business administration wandered in the vicinity of management, though it did recognize its intricate mechanism; and the modern theory of organization went too far and tended to drop the subject which it had started to investigate.

I do not mean to say that they are all useless ventures. If they are regarded as the fruits of a division of labour in management study, as H. A. Simon would like to call it, their use is more than nominal<sup>49)</sup>. But division of labour presupposes coordination if it expects to have some meaning, and there must be a coordinating principle which will attach value to each of the products of such a division of labour. A coordinating principle like this is needed in the task of giving management a truly

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49) H. A. Simon, in Koontz, (ed.), *op. cit.*, p. 78 ff.

universal and authentic definition. When this is done, all the theories and methods of approach will be incorporated into some kind of coherent system and one may expect to have a science of management in the community of academic disciplines. A word of reminder is in order here. A clear and comprehensive definition is not by itself the end of management research; research has yet to be continued and new problems to be explored. Reflection and critical examination will have to be made continually in search of the true identity of management proper. This is the task (*Aufgabe*) for all researchers in the field of management and it will long remain so.

## 2 Management—the Unknown<sup>50)</sup>

In view of the fact that so many scholars have failed to go near it, have seen it in such a narrow perspective and have mistakenly thought they discovered the essence of management, which is not, I must say that management is extremely hard to comprehend or something utterly unknown. This is rather ironical, because management is perhaps closer to us than anything else. Failure to comprehend its meaning is probably due to the fact that it is so close to us and so deeply rooted in our daily life. To use Hegelian phraseology, management is that which is known to our common sense (*bekannt*) but is not conceptually visualised yet (*erkannt*)<sup>51)</sup>. In this sense the purpose of management study is to bring something commonsensically known to a higher level, namely, something conceptually meaningful.

If I may repeat, neither the German word *Betrieb* and *Betriebswirtschaft* nor the English *management* points to the kind of conceptualization that is required here. The former refers to the objective or economic side of this unknown something and only tells what it is all about. The latter specifically refers to the presence of some subjective element and how it *does*.

In my opinion the Japanese term *Keiei* best represents what this unknown something stands for and suggests the unity of *Betrieb* and *Betriebswirtschaft* (economic side) and *management* (administrative-executive side). This unifying principle is the very thing that is the nucleus of our entire economic life and governs our economic system.

*Management* (*keiei*) may be looked at differently; that is, it can be defined as the central principle working autonomously toward the unity

50) I have borrowed the phrase from A. Carrel, *L'homme, cet inconnu*, Paris, 1935, (Man, The Unknown, Der Mensch, Das Unbekannte Wesen).

51) G. W. F. Hegel, *System der Wissenschaft, Erstes Theil, die Phänomenologie des Geistes*, Lasson Ausgabe, 3. Aufl., S. 28.

of *ownership* (*kigyo*) and *enterprise* (*jigyo*)<sup>52)</sup>. By ownership should be understood the sources of capital and as such the decision-making body, and by enterprise the production body representing the flow of capital which, by its very nature, links enterprise with the rest of industrial activities within an economy, be it national or world-wide. Management (*keiei*) is thus an agency acting between and beneath ownership (subjective side of management) and enterprise (objective side of management), and at the same time by its dynamic function *Keiei* can maintain and develop the unity of the two (see above Chart I).

In the strictest sense of the term, it is not correct simply to translate *Keiei* into the English management but *management proper*. It is not right to equate management and ownership either, for management, understood really to mean *Keiei*, includes much more than the term ownership or enterprise may imply. In other words, this management should not be perceived as a mere acting agency—or a decision-making body; the term that should be used is management proper.

If *management* roughly corresponds to *keiei*, then *Betrieb* may be translated as enterprise (*jigyo*), but it requires a bit of manipulation; that is, we have to bring in the concept of *Unternehmung*. *Unternehmung* in a common use comes very close to the English enterprise as the financial unit (*kigyo*) in that it also stands for the subject of an industrial activity or the decision-making body. So *Betrieb* does not necessarily mean an enterprise; it acquires the latter meaning only when it is used in contrast with *Unternehmung* which stands for ownership or the financial unit (*kigyo*).

All the foregoing discussion has been laboured in order to show that *management*, *Unternehmung* and *Betrieb*—or the concepts we generally associate with these terms, do not adequately represent the content of or issues involved in the work of governing, directing or managing. *Management*, *Unternehmung* and *Betrieb* are useful concepts in their respective field of management proper, but they begin to make any sense only in relation to the whole problem of *Keiei*, which integrated *Unternehmung* and *Betrieb* by the *management functions*, that is, the unifying principle or the central principle underlying all managerial activities<sup>53)</sup>.

### 3 Principles of Management Proper

I shall call by the name of “management proper” the whole method of approach and the underlying assumptions which center around a definite nucleus, namely, the concept of *Keiei*. Business management

52) Yasujiro Yamamoto, *Keieigakuhonshitsuron*, p. 237 ff.: *Keieigakuyoron*, p. 52 ff.

53) In this sense Simon's exhilaration is not hard to understand. Management studies have made truly remarkable progress in the United States past thirty years.

takes into consideration both ownership (*Unternehmung*) and enterprise (*Betrieb*) aspects of an industrial activity. It also recognizes the presence of both the subject (*Subjekt*) and object (*Objekt*) of such an activity. It thus intends to be comprehensive and all inclusive; it is thus the basic foundation of the science of management.

Management will now be better understood and its definition less difficult to make, if it is placed in the conceptual framework of management proper. Our new tool of analysis is useful and powerful, because it virtually eliminates confusion between economics and management.

Economics is a science which is designed to deal with the production, distribution and consumption of goods and services or the material welfare of mankind in general, and to seek order in these various activities. Be it at the level of an individual enterprise or the economy of a nation, the science of economics tries to find some principles underlying economic activities. Essentially it treats the relations and changes in which transaction of goods and services is of the main concern; whereas management is at the center of economic activities and it has an obligation to see that these activities are functioning smoothly. Management directs the action of an economy, but at the same time patterns of economic developments may determine the type of management that is demanded.

Economics can have management as its subject of investigation, but the approach of an economist will certainly be different from that of a management theorist. The former will look at management objectively and macroscopically and will collect all data about its performance. His theory of management will turn out to be dry and abstract, touching the subject "from afar" (*Lebensferne*). A management theorist on the other hand will see management as a whole dynamic process of the cooperative system in Barnard's sense, that is, an autonomous process designed and managed for the achievement of certain goals by using capital investments. He will look at the process not only as a mere onlooker from outside but also as an observant caretaker from inside. Otherwise he will not be able to see the conscious planning and other efforts taking place at the center. He assumes that there may be more than one way to look at the process, because one always has to look at the goals in terms of the means to achieve them and the means in terms of the goals for the attainment of which they have been recruited; and because one should always think about motivations, certain actions and principles of operation. He is thus always interested in coming "right at the realities" (*Lebensnahe*).

In sum, management proper treats the subject of a business enterprise and pressures of various sort put upon them by surrounding economic

conditions. On the one hand it deals with the whole problem from the point of view of supervision of an enterprise; on the other hand it observes the working of conscious efforts to overcome and transform for its own benefit the restrictions imposed by economic environments. Thus observation from inside presupposes an eventual working upon that which is being observed. Interpreted in this way, management means much more than just getting things planned and carrying them out to completion; it means much more than making use of the resources available which the environments supply for our use. Stated in philosophical language, the creature (management) sets out to recreate that which has created it (environments)<sup>54)</sup>. In other words, the acting agency of an industrial activity, hitherto restricted and limited by the surrounding conditions, should react and try to work upon them; this is the task left for the agency to perform if it strives to gain autonomy.

The economics school of thought concerned itself with the material side of human life—or order therein—and its method of approach was based on the “logic of an object”. Contrary to this, management proper stresses the “logic of a subject” and perceives an autonomous, unifying process in any business enterprise. It is interested in unity or integrity of management theories rather than compartmentalized discoveries in many different fields.

Furthermore, management proper brings together managerial economics of the German school, which is characterized by its objective orientation, and administration of the American school, which is subjectively oriented, and gives a respectable place to the modern theory of organization.

Management proper defines management in term of *Keiei* which covers the concepts that *Unternehmung*, *Betrieb*, *management* and *gouvernement* cannot do singularly. To repeat, the main characteristic of management proper is that it tries to synthesize the subjective and objective views of German and American schools of thought which seem to be contradictory to each other but really are complementary to each other.

## VI CONCLUSION

### 1 Management—Essential and Non-essential

Business management is what we have been looking for throughout our critical examination of previously developed management theories.

The first thing we may notice is that it makes management study

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54) Kitaro Nishida, *Complete Works*, Tokyo, 1948, Vol. 8, p. 547 ff.

an essentially useful, valuable science. For it does recognize the importance of management problems in society and secures the foundation of its autonomy as a separate discipline. It thus solves the problem that the German scholars have worked over years without coming to any definite conclusion. If the term management is used with proper caution and always with our definition of it in mind, there will be, it is sincerely hoped, less confusion and difficulty arising from semantic uncertainty. The elements that are inherent to management—or essential to management—and that are not so essential must be clearly separated. Only then does “division of labour” become a useful venture and each part can do really meaningful research in the intricate problems of management.

A word of caution is in order. We should not stop our work here now that management is defined in comprehensive, clear language. Defining a word does not lead to any place, although it certainly helps find our way—just like having a very accurate gyroscope. A gyroscope does not make the ship sail any faster, but without the knowledge of where we are heading, we cannot have a safe, comfortable voyage. Thus management needs to have its path corrected every now and then.

## 2 Management—Central and Peripheral

The second thing we notice is that business management brings to the fore what the central issue really is. This second point is in fact closely related to the first point previously referred to. In other words, if one is concerned only with what is central to the problem, his investigation is bound to get to the essence of the matter. Put the other way around, concern for the essential is accompanied by an interest in what is central.

The development of management study in the United States has been from research in the peripheral or the extrinsic to research in the central or the core. I am convinced of this interpretation of American scholarship, but Professor Kumoshima seems to have a different view of this question. He says:

Researches in personnel management, managerial accounting, production control, a business organization, operation of a firm and education of managers compose important fields of management study in the United States. Are these not more than researches in the “edge or periphery of management”?... I would think that individual research in these fields is a method of approach inherent to management proper<sup>55</sup>.

55) Yoshio Kumoshima, “Keieikanrigakushikenkyu no Kadai” (The Problems of Historical Examination of Business Administration), *Seisansei*, November, 1963, p. 32. This article is

What I would like to ask him is what he means by management and by a method of approach to management. In my opinion personnel management, managerial accounting, production control and so on do not constitute the "essentials" of management study as such. They only touch upon some aspects of management. However, my criticism of Professor Kumoshima's view should not be taken to mean that I think research in the fields mentioned above is useless. What I am driving at is rather that research of this kind ought to be done with clear conception of what study management really intends to do and what management is all about in the first place. On the last point I think enough has been said.

### 3 Management—In the Making or Finished

There is no academic discipline that is finished or has reached the last stage of its development. No learning is established in the sense that it demands no recognition or no critical inquiry into itself. The third point I would like to say about management proper is that it is only a proposal or no more than another serious attempt to define management; that it is proposed for further discussion and examination, and not as *the* answer to all management problems. Management proper, as a science of *Keiei*, awaits further refinement and verification.

Professor Kumoshima seems to have a different view on this question too. He states:

If management studies in the United States have been touching upon only the "edge of management", what is the use of critically examining them? No matter how one may look at the works done in these extrinsic fields, one does not get an insight to the central or essential part of management study; he does not possibly understand the meaning of the method of approach inherent to management study..... Nothing is expected to come out of such an examination.....

No matter how one examines the "extrinsic" researches and their products, one cannot place the subject of management and its methods of approach in a proper perspective. I wonder how Professor Yamamoto thinks about this.....<sup>56)</sup>

According to him, researches in respective fields are those pertaining to the science of management in the strictest sense of the term. The developments in these individual researches are indicative of the development of the science of management itself. These concrete works are the

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included in his book, *Keieikanrigaku no Seisei (The Origins and Development of Business Administration)*, Tokyo, 1964.

56) *Ibid.*



ones that fulfill the role given to management study, i.e., business administration.

The criticism I have of people like Professor Kumoshima is that they take for granted what discoveries and generalization that are already there and try to see the developmental process in continuum or in a neat order. But he is talking about critical examination of the historical growth of management theories and is using our language; he seems very sympathetic to our assumptions<sup>57)</sup>. So I really do not understand what he is trying to do by attacking the contention of the present author. He seems to me to contradict himself on many occasions.

I think the main difference between his way of thinking and ours is that to him management means only management function or administration (*keiei*), whereas it means management proper (*Keiei*), a much broader concept, to us. Also the overall tenor of approach to management studies seems very different. This is another example to prove my theory that critical examination is most important and that examination of this sort must come right to the point at issue. Otherwise management as a "viable" science will never progress any further.

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57) Yoshio Kumoshima, *Keieikanrigaku no Seisei*, p. 17 ff.