SOCIAL RESPONSIBILITY OF THE FIRM

— One Development of Barnard's Theory —

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I. INTRODUCTION

There are two approaches to social responsibility of a firm. One is to pay attention to the change in a firm's definition of the social existence from the point of rise in national income, the change of people's sense of value caused by rise in their incomes, the enlargement of the firm's scale, and the increase of the firm's economical, cultural, political, and social influences etc. It is, namely, the way to consider the firm's social responsibility from the social and institutional point of view. It is a matter of course that this way of thinking is necessary and important. But this kind of social responsibility is, on the part of the firm, understood passively as a social and institutional regulation or a primary factor which has to be duly considered in her behavior. In other words, it means that the firm can take any kind of action as long as her behavior will not be contrary to this regulation or a primary factor, which does not always concur with the idea that the firm undertakes the social responsibility for her own growth positively and spontaneously. The firm's responsibility must be fulfilled not by a negative or passive attitude, but by the firm's positive attitude toward this responsibility. We have made an attempt to develop Business Administration Theory, on the basis of Barnard's Balance Concept of Organization Economy. In Barnard's theory, the positive and spontaneous accomplishment of that which is nowadays generally regarded as the firm's social responsibility, has been included into the important framework of the theoretical system as an essential condition for the maintenance of the firm[1]. The main objective of this paper is to treat Barnard's understanding about this responsibility and theoretical development of Barnard's way of thinking.

II. BARNARD'S THEORY ON SOCIAL RESPONSIBILITY

As is commonly known, according to Barnard, human beings create many kinds of cooperative working systems in order to overcome physiological, physical, and social limitations which prevent human beings from satisfying their needs or desires. Therefore, the firm is regarded as a kind of cooperative system. Once this sort of cooperation system is established,

it in turn produces ways to maintain and facilitate itself. This action is "absent from individual action"[2]. It is, to be concrete, a process to gain and create some utilities or transmute the utilities and to divide them among all contributors as many kinds of inducements or incentives. This process should be carried out in a manner which preserves the internal equilibrium and the external equilibrium of the organization.

The External Equilibrium

The external equilibrium is "an equilibrium between the system and the total situation external to it (organization). This external equilibrium has two terms in it; first, the effectiveness of the organization, which compromises the relevance of its purpose to the environmental situation; and second, its efficiency, which compromises the interchange between the organization and individuals"[3]. The external equilibrium is, first of all, has two aspects, the pertinence of a purpose toward circumstances and the exchange between organization and individuals. In this sense, it is tied mainly to a common purpose of the organization and the willingness of individuals to make contributions. This common purpose is, in general, set up in the abstract form by top executives in many cases, but actually it is substantialized by a coordination process —particularly the specialization process— to specify practicable conditions, divide into several partial purposes, and distribute to each unit organization. As will be seen later, if a large value is put on whether people are engaged in an instructive job in the society, such a position's worth should be considered in establishing a purpose. But even if this sort of sense of value is not recognized strongly in the society, the firm must inevitably answer the social responsibility positively. Namely, in the firm it is an indispensable condition to the specialization process that each member accepts his concrete partial purpose individually and attempts reasonable achievement. In this case, each member has to select proper behavior to adapt to changing environment. In order to do this, it is desirable from a theoretical point of view that people not only accept their concrete partial purpose but also understand a link between a general and a final purpose, and consequently that all the people's partial determinations are consistent and have no major differences which would hinder attainment of the final aim. As a matter of fact, however, individual perception capability is imperfect and relative. Furthermore, the communication capability among people is imperfect, too. Once people include in information received their own knowledge, they can understand rather well. It is natural that there would be various interpretations of information by member of the firm. In addition, each unit organization, as compared with the whole organization, uses division of labor system in collecting information and judging it. Therefore, disproportion of information

among unit organizations makes it difficult to understand and judge comparatively. Barnard says, "But, in general, complex organizations are characterized by obvious lack of complete understanding and acceptance of general purposes or aims". It is belief in the cause rather than the intellectual understanding of the objective which is of chief importance. 'Understanding' by itself is rather a paralyzing and a decisive element"[4]. "The inculcation of belief in the real existence of a common purpose is an essential executive function"[5]. The expectation or the belief that individual motive will be satisfied through the attainment of a common purpose, makes each member endeavor to understand imperfect communications with various interpretations, which produces the effort to search for mutual concession, compromise, and a completely new way of solution in the collision of understanding and judgment among members resulting from some what altered information. Without such belief in common understanding, individuals would have everything their own way and consequently the organization would be broken up.

Another element of the external equilibrium is the willingness to serve to the organization. It is, as is well known, born in the balancing of sacrifice that one must pay to the organization and satisfaction that one will gain from the organization. Barnard makes not an economical man but a non-economical one who has limited abilities and many kinds of desires at the basis of his theory. Accordingly, various essential inducements proposed by the organization are, as well as economical and monetary ones, ideal benefactions, attractiveness of the social contact of a group and an opportunity to satisfy the feeling of participating widely in the process of a matter. Especially this opportunity to satisfy the feeling of participation widely means that individual efforts are also important socially since cooperation plays an useful and important role in the society. It suggests that the fulfillment of a firm's social responsibility is an important inducement. "The short interest, the immediate purpose, the impulses of the moment, may be as well served by new combinations (of abilities and capacities) as by old, and the appeal to individual self-existence is often gratified best by change if only immediate and material needs are at stake. Organizations endure, however, in proportion to the morality by which they are governed. This is only to say that foresight, long purposes, high ideals, are the basis for the persistence of coöperation"[6]. To balance sacrifice with satisfaction which would be the foundation of a member's volition, longterm outlook and expectation have to be taken into consideration, differing from a simple comparison of the two at a certain time point. Similarly, it won't be impossible to compare sacrifice with satisfaction over a long period until after the achievement of the organization

purpose and individual hope in the future are firmly believed. A member will contribute positively, without hesitating to make short-term sacrifices thinking "the sacrifices involved a matter of course"[6] when considering the long term. Barnard puts stress on the indispensability of an member's spontaneous and positive contribution activities, saying that the mere acceptance of an order, the framing of a prescribed report, and the mere performance of a specified function can be a method of sabotage. As far as any of a member's actions have something to do with the prospect for the future result of the organization, the expectation of future success needs. This is perhaps Barnard's belief. Barnard calls this conviction "the belief in common purpose and in the possibility of accomplishment necessary for cooperation"[7] or "faith in common understanding, faith in the probability of success, faith in the ultimate satisfaction of personal motives, faith in the integrity of objective authority, faith in the superiority of common purpose as a personal aim of those who partake in it"[8]. But it is impossible to root this sort of belief in people by means of a mere material or non-material inducements, force or persuasion. It is thought that it cannot be formulated until executive's stable daily actions have influence on people's feeling and shaped an attitudes, values, ideals, and hopes of people through innumerable material, biological, and social courses. When top executives always assume an organization personality and their actions are stable, other members can then anticipate their actions, thereby the possibility of belief in the future comes about among members for the first time.

The Internal Equilibrium

Here the problem of the internal equilibrium acquires an important meaning. Namely, the main problem of the internal equilibrium is the maintenance of the communication process to combine the contribution volition and a common purpose. It is fulfilled by securing appropriate personnel for each position as well as establishment of executives' positions. Since an executive position is a center of communication, an executive must have the ability of collecting, analyzing, and make complete information. The qualification which Barnard insists on much stronger, is a personal temperament in which a person follows an organization's demand and a morale theoretic ethical code, disregarding personal interests. As is generally known, Barnard points out eight kinds of moral codes[9] with which an organization member, especially an executive, is confronted.

1) A personal responsibility
2) Representative's or public responsibility
3) A personnel's loyalty
4) Corporate responsibility

5) An organizational responsibility
6) Economic responsibility
7) Technical and technological responsibility
8) Legal responsibility

These eight kinds of ethical codes cannot, perhaps, be seen clearly because they are mutually independent, complex, and inter-dependent. But it is natural that the conflict of responsibility should occur because there exists much contradiction and many collisions. Such conflict is thought to be a characteristic condition of a cooperative system. These conflicts must be settled in order to stabilize executives' action, and members have the belief that a common purpose will be attained in the future, and their desire will be satisfied. Otherwise, the inconsistent opportunism goes beyond executive control and people's actions are emotional and impulsive, lacking necessary consistency. Finally the cooperation will break down. There are three kinds of actions which are taken in the organization in order to solve this conflict[10].

1) The judicial method
2) The invention of concrete solutions
3) The method of reconciliation

The first method is the process of narrowing and delineating areas of responsibility, thus restricting incidence of conflict. The second method, the invention of concrete solutions, is fundamentally a problem of technics and techniques, while the third one, which Barnard especially lays stress on, involves the creation of new moral codes based on a sense of value and understanding of the firm's executive's existing significance in society. Problems of point of view frequently involve redifinition of jurisdictions. If there is wide acceptance, of this new moral code stability and consistency of an executive's action can be ensured and the stability of a subordinate's action, when confronted with conflict of moral codes, can be secured. It ensures this consistency and stability of action as far as the whole enterprise is concerned. When Barnard says, "Organizations endure, however, in proportion to the breadth of the morality by which they are governed"[11], this breadth of the morality means just the degree of capability to solve the contradiction and the complication of moral codes. The development or improvement of techniques and technologies reduces the inevitability of relying on the method of reconciliation, but it is impossible to exclude it. Therefore, ability to find a moral code not in conflict with any of the above moral codes, or to create a new one means the increase in an executive's alternatives. The generally accepted idea of a firm's social responsibility involves any number of these moral codes. According to Barnard, only a top executive who can satisfy all eight kinds of moral

codes, takes stable action, and consequently a stable firm is established. Only in this case there is the belief of common understanding among members which is indispensable for a firm's permanence.

III. THE DEVELOPMENT OF THE THEORY OF THE SOCIAL RESPONSIBILITY OF THE FIRM

I would like to observe the development of the theory of the social responsibility of the firm based on Barnard's theory which emphasizes the necessity of the breadth of the morality as an inherent demand of a cooperative system. It can be said that the theoretical development from H. Simon to March=Simon has scarcely made significant progress. Only Simon points out in his "Administrative Behavior, (1945)" a clue to develop the solution of the contradiction and the conflict of several moral codes expressed in "the breadth of morality" by Barnard with operational nature, centering around a particularly judicial method by presenting the concept of social production functions. It is merely pointed out without concrete development. We can indicate Galbraith's "New Industrial State, 1967" as one which develops Barnard's view, "the organization maintains in proportion to the breadth of morality which controls the organization", absorbing the result of a series of organization studies from Barnard, Simon to March=Simon. As is well known, he starts from the point of view that the subjective comparison between sacrifice and satisfaction is the cause of individual participation in organization activities. He points out the "identification" and "adaptation" as inducements to answer an executive class' wants which has a great effect on a large firm's action, and continues that various kinds of purposes of a firm are pursued to enlarge a firm as a means of pursuit of satisfaction resulting from this inducement. Consequently, not only individual firm but a general economical society is projected. Namely, the way to the New Industrial State is taken. But such a society incurrs the repulsion of the other people except the people belonging to the executive group in a large firm and proceeds in the direction of ruining the existing foundation of the large firm itself. He concludes that a firm has to institute a plan and an action for growth considering our human life where non-economic problems as well as economic ones will have important meanings. Though many problems to be criticized are included in his statement, his attitude to depict the state when an executive's sense of value and desires are persued ultimately and to examine the degree of propriety of sense of value suggests one direction to examine concretely Barnard's concept of "the breadth of morality".

IV. CONCLUSION

In a case in which the firm seeks an permanent maintenance of itself as a cooperative system, the analysis of the internal mechanism which has to pursue broader morality inevitably including social responsibility, is tentatively systematized by Barnard. Up to now, such study has had no significant progress of a concrete nature. Only Galbrith suggests the way to evaluate the propriety of a present executive's sense of value, considering the state in the case that an executive's today's way of thinking the direction of their value are ultimately pursued. This approach, however, still is at an elementary level, and is in need of development. Similarly, it would be something worth paying attention to the trial of the social audit or the business assessment which has been somewhat developed recently[12]. The development is, of course, still in a beginning stage and is conspicuously short of data and experience. It is difficult to say if a social audit or business assessment can be used as a measure of the "breadth of morality" in Barnard's analysis. But in some developments it would be able to function to some extent as an indirect index. We think that we have to, hereafter, pay more attention to the development of such studies.

REFERENCES

1) For instance, K. R. Andrews, "An Introduction to the 30th Anniversary Editions", pp. xix-xx, C. I. Barnard, the Functions of The Executive, 1970.
2) C. I. Barnard, The Functions of the Executive, 1938, p. 33.
3) op. cit., p. 83.
4) op. cit., pp. 137–138.
5) op. cit., p. 87.
6) op. cit., p. 282.
7) op. cit., p. 325.
8) op. cit., p. 259.
9) C. I. Barnard, "Elementary Conditions of Business Morals", California Management Review, Vol. I, No. 1, Fall, 1958, pp. 5–9.
10) op. cit., pp. 11–12.
11) C. I. Barnard, The Functions of The Executive, p. 282.
12) According to the paper of S. D. Dilley and J. J. Weygandt, "Measuring Social Responsibility; an empirical test" (Journal of Accountancy, Sept. 1973), what is called a social audit or bussiness assessment are classified into the following four kinds of methods.
1) Inventory approach- The business enterprise enumerates various activities to fulfill the social responsibilities. The tipical instances of this approach in Japan may be "the index of the business socially responsible activities (Kigyo no sogoteki shakai sekinin shihyo)" of Japan Productivity Center

(Nihon Seisansei Honbu) and "one hundred items of assessment standards of a degree of social contribution (shakaiteki kōkendo hyoka kijun 100 kōmoku)" in Japan Economic Journal (Nihon Keizai Shinbunsha).

2) Cost or outlay approach- the business enterprise discloses its socially responsible activities and indicates the amount spent on each activity. The tentative model of Dilley and Weygandt is this approach.

3) Program management approach- the business enterprise discloses its socially responsible activities, and indicates the amount spent on each activity and whether the objectives of the program have been met. In Japan, we can find such an approach in the tentative model of Japan Management Association (Nihon Noritsu Kyokai).

4) Benefit-cost approach- the business enterprise discloses its socially responsible activities, the amount spent on them and the worth of each expenditure. The tipical example of this approach is the case of Abt Associates.