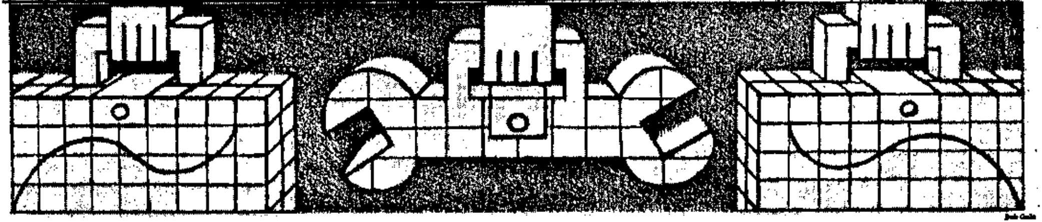

# Managers' Debacle

By Seymour Melman

From left to right, policy proposals for industrial renewal share a core assumption: that American managers as a group are interested in and capable of restoring competence in production. This assumption, once unchallengeable, is obsolete.

A generation of managers has been trained by our business schools to make money, not goods. Gripped by a dogma called "management science," the schools have played an important institutional role in the erosion of competence for production.

Until recently, American managers were the world's best organizers of industrial work. That was the basis of their profits and their claim to large personal income. The managers performed a vital function: To live, a community must produce.

For two centuries, a tacit understanding, a social contract, has been in force. In return for its decision-making power and wealth, management was expected by society to organize work. The legitimacy of that contract rarely has been challenged.

American industry's productiveness and all-around competence was a source of national pride. Whatever the criticism, management was perceived as fully interested in and able to organize production, the source of wealth. No one doubted that investing in and efficiently operating the means of production, especially those of basic industry, was the high road to wealth, fame and power.

In the last 25 years, management's social contract with workers and the community has been broken as managers have turned from making goods to making money by means other than production. The result of this transformation in management's professional imperatives is visible in the dissolution of production competence in once-great industries. These industries have been managed by persons increasingly oriented toward profits by financial strategems, commodity speculation and fast-return investments, finally striving for profits without the burdens of any production at all.

At the same time, a state-managed military economy, guided by cost- and subsidy-maximizing, is precisely the reverse of industrial efficiency. But it is a moneymaker and power base for everyone involved in it.

A firm's failure once enabled more competent management to take over production and marketing positions. Not any more. As managers' competence in making goods becomes increasingly rare, and ploys for making money dominate, industrial decay spreads. Top managers in remote central offices leave entire communities and regions economically stranded. Imported goods replace American goods. Jobs in producing occupations are severely reduced, hardly affected by the trickle of new work in high-tech industries.

Meanwhile, business schools rationalize the collapse of entire industries with facile explanations about post-industrial society, sunset and sunrise industries, service economies, subsidized imports, Government regulation, the unions and "what's wrong with making money?"

New top managers have a trained incapacity for what their predecessors did ordinarily: offset a high wage with growing productivity, while producing goods of acceptable quality and price.

Because workaday competences have been largely abandoned in private and state enterprise, too many top managers have neither the interest in nor the skills to reverse the industrial debacle. Neither can such competence and self-interest be purchased by subsidies, however grand.

If there is to be an industrial rebirth, America must turn to those who have a direct stake in making goods — production workers and engineers — for an alternative to managerialism. The producing occupations have a vital stake in industrial competence. Fashionable theories about mobility of capital do nothing for them. They have had little voice in the governance of industry, of their own work. But their talents and self-interests are indispensable for replacing management's failed institutions and ideologies.

As a result of growing numbers of plant closings, workers and communities are striving, increasingly, through stock ownership and other plans, to take over control of decision-making. The effectiveness of workplace democracy as a way of improving productivity and product quality is being demonstrated in scores of American factories ranging from heavy chemicals, plywood, food-processing and textiles to scientific instruments, electronics and auto assembly, and in networks of efficient industrial cooperatives in France, Spain and Italy.

Marshaling and spurring workers' decision-making power is the remaining option for significantly improving industry's productivity and all-around competence.

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