

## Business Administration and Labor Management

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# Business Administration and Labor Management.

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We try to compose the multi-dimensional concept of “management” in the perspective to the whole area of business administration especially focused on labor management ; the ground of which we have resorted is “power-control” paradigm presented by Nuki (1982), with some revisions and interpretations of my own.

## I. The Technological Structure of Business Administration

We define the (concept of) “management” in broad sense, as conscious controlling activities of a person or persons. Even in a simple activity, eg. moving a stone by human hands, a person as a subject, achieves his purpose through the action of his hands as “power factor” influencing to the object using his brain and eyes as “control factor”. Whereas the terms “power” and “control” is originally derived from engineering technology, they are diversible to the primary factors of purpose-achieving activities (we call it only as “activities” in the following) of human being.

We call an activity as “operation” when the object of the activity does not include any movement, so that human activities must give both factors — power and control.

On the other hand, the activity in which the movement is included in its object, so that human activities could be composed of giving only the control factor, is named “management” in narrow sense. The control factor which primarily a component, covers the human activities as a whole therein.

Quality control, inventory control etc. are “managements” in this sense, the objects of which include the power factors. Whereas the changes themselves do occur through the human activities of manufacturing products or consuming parts, those activities are not of those in charge of quality-control or inventory-control, therefore the changes of quality or inventory confront them as a given conditions ; so that they must cope with them as objects of their activities. Equipment itself is the object of the equipment management. Equipment include movements, i.e. the physical and/or chemical change of it — abrasion, erosion, deformation etc. — together with the accompanying changes of economic values. The contents of equipment

management are composed of inspection, maintenance, their planning (including the making standard of managing) therefor and controlling thereafter, so that the equipments are maintained in good conditions through controlling the movements mentioned above.

Managements, their objects of which are things (equipment, quality, inventory etc.) needs operative activities, i.e. inspection, repairing, removing bad products, ordering etc. Whether the specific activity is “operation” or “management” (in narrow sense), is determined dependent upon not what are the contents of the activity, but upon its relationship to the total activities in which it is included ; in other words, whether they are a transforming process of the static objects or a controlling process of the dynamic objects. Handling a machinery is deposited in the chain of movement, (operator → machinery → material) makings itself a transforming process from material to product, i.e. the production process which make the handler’s activities “operation”. Thus, the management as controlling activities is the controlling process of dynamic objects through “operations”.

Then, the management, objects of which is human being. The object to which subject of control directly act is a person or persons who contain movements. Even in the most simple case where a subject and a object are confronting, a cooperative system of the controlling and the controlled is formed implying a division of labor. Therefore, an individual control the cooperative system through controlling the other individual as an object.

Giving narrow interpreting the control of a cooperative system, it is limited to the controlling(= operating) a movement oriented to the purpose-achieving of the system. However, the control of the cooperative system appropriately conceptualized, should include not only oprating function but formation, maintenance and disposal (or innovation) of the system. In addition, it is not neglisible that the factors stemming from socioeconomical system penetrate the whloep process of formation and disposal of every cooperative system, especially of large scale enterprises.

However, we need not to emphasize the moments of formation and disposal of systems, especially in studying the cooperative systems of small scale and ephemeral. Let us imagine that A request B to help his business, — manufacturing parts of machinery through operating (handle a machine-tool) — and B accept it. B, following A’s direction, start to handle a machine-tool, thus perform a “operation” function for the system. It must be performed by A the “leading” functions, which composed of instructing the way to handle the machine tool in advance, and giving advice and helping in operating process, etc. In this case, it seemed to be the fact that the function performed by B is only operation, that planning and control is lacking — but it is not true. The functions of planning and control in operating activity never may be zero, whereas the operator does not perform these functions as his ‘job’. They survive, primarily in accordance with the premature of managers to perform them. Secondly, they form and develop

on the ground of his resistance or ambition to the plan offered by managers, — operators voluntarily revise the plan. Thirdly, managers may consciously give these functions to operators as the means of motivation, taking advantage of the situation above mentioned.

As the parts-manufacturing business is running long and enlarge, “system-maintenance” activities emerge as a relatively independent functions from the “system-operation” as the narrowest control-function relevant to production-activities. Inventory control, equipment management, fund management and some parts of labor management (welfare service, education and training for employee) etc. The purpose of “system-maintenance” activities are the maintenance and advancement of the capacities and operationalities of the components of the cooperative system. That is the maintenance of “productive force”. In addition, we need to focus on the aspects of “relations of production” or social relations in the function — maintenance of the subject-object relation itself. This means the reforming of the existing system, hence the study of this problem lead us to go back to the starting point of ssysem-formation.

The conditions and/or occasions relating the formation of the cooperative systems are variable corresponding to the purposes of the systems, if limited to ones of which purposes are manufacturing products. When the ownership or financiality of funds to start and continue the production is dominant occasion of the formation of the system, the capitalistic system of cooperation may be formed. The critical condition in it is the purchasing of labor forces, there-by acquiring the right of controlling the labor process (as the comsumption of labor forces purchased), excersizing the right actually and getting agreement of the laborers so that they obey the rules and/or directions of the employers — the preparing and maintaining these critical conditions are the very functions of labor management. Other preparing activities — establishing the company, acquisition of real estates, constructing factorys and offices, purchasing and building equipment etc. — are the functions subordinate, though indispensable.

The capitalistic feature of “system-formation” characterize the whole processes and phases of the operation and maintenance of the systems ultimately, constrainning the purposes of each system. For example, quality-control does not pursue the highest level of quality, but set the optimal level of it on the balance of the evaluation given by customers with the cost needed to realize the evaluated quality. The level of quality once has been set, its function as the standard of actions for all employees of the system in the pursuit of the quality is maintained with some range of allowances. — Let us imagine a capitalistic cooperative system of small scale just started. A household-mechanic converts himself to a “de facto” wage-earner, by getting an advance offered by a wholeseller. The view in the workshop, the way of plan-do-see and its holder does not change, while the level of quality and/or maintenance of equipment are constrained by the employer (the wholeseller formerly)’s decision made in the standpoint of his business interest

on the whole. The function of control included in the production activities of the independent mechanic are partially transferred to the employer, then transformed itself a part of the management function in the cooperative system.

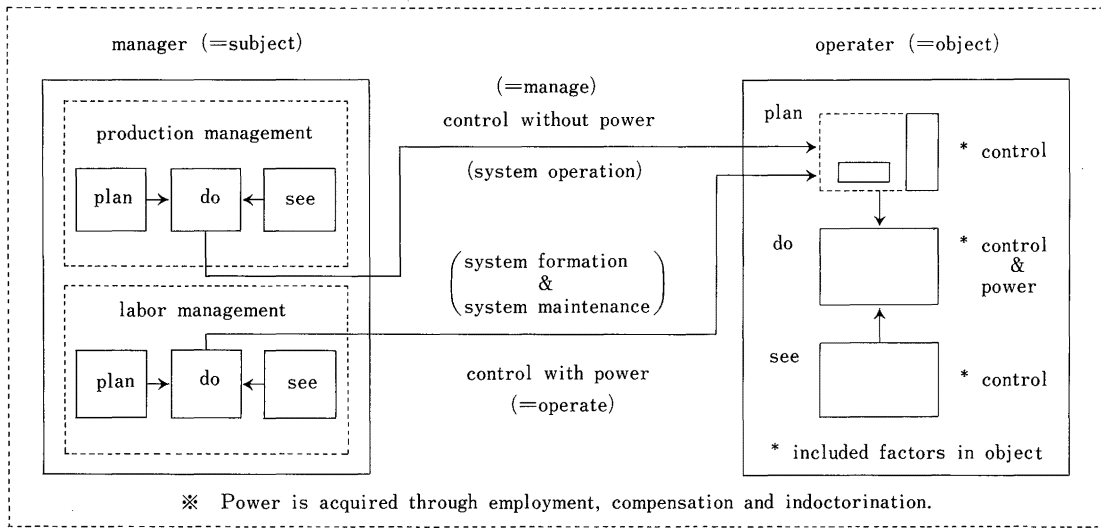
About the “system-disposal” we need to consider including “partial” disposal. In the large corporations today, the reduction of business, transference of funds, disposal or selling off equipments, cutting down personnel, abolishing rules and procedures etc. — all are the partial disposal of the system — are apt to be implemented simultaneously combined with the partial formation of the system, eg, investment to new business, purchasing and setting the equipments, hiring personnel, introducing new rules. — These synchronized proceedings are generally called “restructuring”, or more broadly may be called “system-innovation” including of smaller restructurings ordinarily not called so. Table 1. summarizes the explanations of “power-control” paradigm applied to the capitalistic cooperative system so far as proceeded above.

Table 1 Management Matrix in Business Enterprise

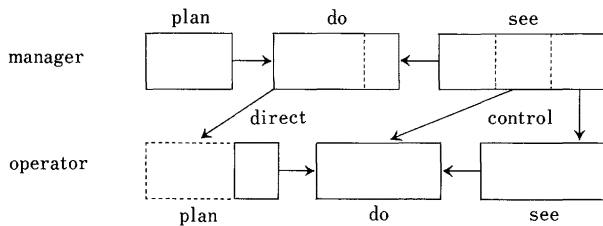
area \ phase	formation	operation	maintenance	disposal
finance	financing	investment	working capital management	withdrawal of investment
production	<ul style="list-style-type: none"> <li>• product planning</li> <li>• setting equipment</li> <li>• purchasing material</li> </ul>	<ul style="list-style-type: none"> <li>• production control</li> <li>• quality control</li> </ul>	<ul style="list-style-type: none"> <li>• equipment control</li> <li>• inventory control</li> </ul>	disposing or selling equipment
labor	<ul style="list-style-type: none"> <li>• hiring</li> <li>• determination of compensation</li> </ul>	<ul style="list-style-type: none"> <li>• positioning</li> <li>• payment of compensation</li> </ul>	<ul style="list-style-type: none"> <li>• education and training</li> <li>• welfare service</li> </ul>	firing
sales	setting sales-channel	<ul style="list-style-type: none"> <li>• sales</li> <li>• advertizing</li> </ul>	<ul style="list-style-type: none"> <li>• consumer relations</li> <li>• inventory control</li> </ul>	consignment of selling product to outside agency
accounting	setting accounting system	<ul style="list-style-type: none"> <li>• recording</li> <li>• calculation</li> </ul>	<ul style="list-style-type: none"> <li>• auditing</li> <li>• disclosure</li> </ul>	disposing accounting system
general	<ul style="list-style-type: none"> <li>• setting strategy</li> <li>• initiating structure</li> </ul>	<ul style="list-style-type: none"> <li>• staffing</li> <li>• directing</li> </ul>	coordinating or disturbance-handling	closing business

A thing itself as an object has no power-factor. Hence, the subject must give power-factors to it, by himself (handling tools) or other mechanisms (operating machines). A person has factors both power and control, so that he can act voluntarily. If one intend to manipulate the person discretionally, he must use some power influencing the person as object, so that the person has lost his self-controlling capability or abandoned voluntarily. In other words, the subject must give some power-factor — controlled by the subject himself — to the object in advance, so that he can control the object (give control-factor). This state of affairs has the same form with handling tools, while in substance there is a considerable difference. Hence, managing the person is “operation”, giving both factors to the object.

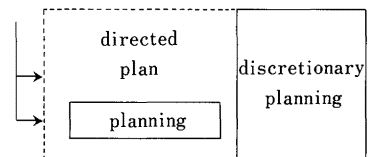
**Fig. 1 The Structure of Power and Control Factors in Capitalistic Cooperative System**



(note) 1) The relation between manager and operator



2) The structure of operator's planning function



The business or associations are the system compounded of persons and things. Hence, management (in narrow sense) need to proceed on the bases of operations in two types (to person, to thing). In large scale cooperative systems, operations and managements (in narrow sense) coexist interlocked in both vertical and horizontal phases all over the system, thus proceeding the management process (in broad sense). In business enterprise, giving economic power factor in the form of purchasing labor force from its potential employees, makes the main occasion of system-formation. (see Figure 1)

In pre-modern cooperative systems, the physical power and the norms of social standings are main power-factors. In the ideal of “workers’ collective”, the determination of cooperative goals through the voluntary discussion or debate, makes the occasion of system-formation, so that the control-functions (giving control-factors) in the stage of system-operation are proceeded each other (all members are subjects and objects of control functions simultaneously). The power-factor there, does not function as a dominant one.

**II. Production Management and Labor Management : their heterogeneity and conglomeration**

According to the frame of “operation-management”, the major part of the functions compos-

ing labor management are attributed to “operation”. In the management of business enterprise, labor management which holds the core functions of “system-formation” appears basically as operation, while production management which holds the core functions of “system-operation” basically as management (in narrow sense). According to similar procedure, financial and sales managements are “operation”s, whereas accounting is “management”. The fundamental difference between labor and production managements stems from the difference of their objects — the former functions in the area of distribution process (i.e. acquiring process of the right to consume the labor forces), the latter in production process.

This is a distinction at the level of principle. At the level of practice, production management and labor management in early period were called “shop management” as one body, separating itself (or themselves) from the central part of business management complex — sales, finance and accounting functions. The formation of “personell administration” in the period of the First World War in the United States, had made the distinction above mentioned to some extent visible. Even since, however, the assertions which emphasize the “onebodylike-ness” of these two managements, has been repeated — “labor management in line” or “return to the starting point of labor management !”.

The cooperative systems called business enterprises are destined to pursue the self-multiplication of value in the currency form. Since early days, the marchants and/or usurers had been formed and collapsed numerously, as the parasites which have no direct relations to the production process of goods. In the developed enterprise of commerce, there had been employed a number of employees operating in distribution — sales, purchase, bookkeeping, custody etc. —, while the enterpreneur, the marchant, has operated and maintained the whole system formed by himself, sometimes engaging himself in the operating activities of distribution.

As modern society had been formed gradually, the enterprises, making profits not only through the distribution activity but through investment to the prodction-process, had been appeared. Thus, the value-multiplication systems in its genuine sense had become widespread. At this stage, the labor management in proto-type had been formed. It was the enterpreneur’s activities of distribution (ie, acquiring labor force), which had basically a little deference with finance or sales. However, in the actual process of history, as the scale of enterprise had been enlarged, the area of the labor manegement done by the enterpreneur himself had been limited to the “management” (getting things done through otheres), delegating the most part of operating activities, eg. hiring and firing, determination and payment of wages, to the superintendents or inside contractors of workshops. At the sametime, on the shop floor, the practices of production management and labor management had been held by the same sort of senior workers, sometimes by the same worker, thus conglomerating into one body — whereas the objects of which were

fundamentally heterogeneous processes.

When the “substantial subsumption of labor” had been proceeded considerably in the situation of so called “the structural transformation of <wage labor> in the end of 19th century”, the conglomeration of production management and labor management on the workshop level had reached a peak. Until then, wage-workers had worked in their discretion, under the generous understandings implied in the contracts with their employers, together with the assessments of their day to day products and working discipline by their bosses, the foremen, that were half-traditional and half-arbitrary. Taylor-system had instituted a technology for the efficient consumption of purchased labor forces, the drastic increase of labor-expenditure through the scientific measurement based on the technological analysis of human work. The foundation of capitalistic business administration had been established herewith, interlocking in detail the functions of formation, operation and maintenance of cooperative system on the workshop level. The management systems based on the same principle had become spread not only to the area of sales, finance and purchasing, but also vertically from the shop-floor to the middle and top management level. It was in the 1930-40 decades that the management techniques of profit planning and budget control, objects of which are the business activities on the whole, were developed, making business administration system once completed. In this period, “non-owner” professional managers had occupied major share of the positions of top-management, because of the retreat of the large stockholders’ controlling power in a numbers of large enterprises.

Labor management, conglomerated with production management on the workshop level, hold the position and function of the axis in the system of business administration. Let us presume that the workshop and/or the whole enterprise is a joint machine tool that make “labor process” at the same time “value multiplication process”, recovering the value of purchased labor force with some amount of premium. Then, labor management on the shop-floor should be identified as a tool at the tip — the edge shaving out the surplus value directly. That is why we define the nature of business administration not “management” in narrow sense but “operation” — the activities which create and acquire the surplus value.

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