
MANAGERISM

Business Corporations and Socio-Market Economies Cooperation or Conflict

Manfred Hoefle

Purpose of a Business Corporation

An abstract but apt image of a business company is that of a "productive social system" (Hans Ulrich). Another idea of the purpose of a company came from Peter Drucker (in the US a renowned management teacher): Drucker defined the purpose of a business as "to create a customer". Both approaches link three essential aspects: 1. community, 2. productivity, 3. customers.

An *undesirable corporate* culture fits the predominant perspective in Anglo-Saxon countries which emphasizes the role of a company only as a generator of wealth for its owners (and increasingly for top executives). Where a high short-term return is determined by the capital market; even if this purpose conflicts with the principle of business longevity and sustainable organic growth. Such finance-driven corporations dominate the American corporate landscape. They benefit from a very large domestic market and associated economies of scale which they aggressively exploit, including expansion into Europe and elsewhere. Such American or Americanized corporations increasingly displace managerially well-balanced and socially integrated small and midsize businesses in Europe – often with the willful assistance of the EU and national governments. Big corporations are often still seen as investment and speculation objects (financial/investor capitalism). This reflects a mindset that idolizes the principle of utility and efficiency and even considers ruthlessness a managerial virtue. It is also assumed that corporate managers should fix the rules and not politicians. This attitude is materialistic, individualistic, libertarian, short-termist, and is widespread among the business community in the USA, and increasingly in parts of Europe. It is essential to look for ways to correct this misalignment.

What is difficult to answer how such a desirable corporate culture can be revived, assuming that they did previously exist. The state has the task of setting the framework and rules for business behavior, a task it has been undertaking less and less. Interlocking interests can prevent competition policy, tax legislation, location policy, regional promotion, labor and trade regulations from being conform with the purposes desired by communities and society: in other words, a social and economic order that is based on broad wealth accumulation and moderate earnings growth, that respects social balance and cohesion, and does not rely solely on state redistribution of wealth. Such an order would support the development of abilities and promote the entrepreneurial commitment of many, and ensure a dynamic which guarantees freedom and personal achievement.

Strengthening the socio-market economy

In Western countries, the consensus is that the task of the state is to democratically and politically provide the framework and fair set of rules for business behavior. This is a task that it is often failing to do, even in Northern Europe (2008 financial crisis). The socio-market economy is concerned with appropriateness, the "right measure", human scale, as opposed to the maximum

economic efficiency principle of so-called free-market or capitalist economies. In order to function well, it depends on the virtues of diligence, discipline, loyalty and public spirit, which the market economy itself cannot create, but which it can and should cultivate.

A desirable corporate culture should be embedded in kind of society that people want to live in. What kind of society will this be?

A negative answer could be:

Not in a society that is divided into extremely rich and poor, politically divided into right/left – without a balancing middle; not in a society without ties, that is highly individualistic; not in a society dictated primarily by the ‘needs’ of the economy, or one in which the boundaries of public and private, of work and leisure, are abolished; where crime and addictive behavior are rampant; and not one that tolerates the exploitation of people and resources.

A positive answer could be:

In a humane economic and social order. This would include the preservation of human dignity, practiced subsidiarity, growth-enabling and manageable economic structures, neighborly ties, broad trust, high integrity, loyalty, healthy working and living conditions, and a functioning legal sphere; and where the principle that people are the purpose of economic activity is timeless and fundamental.

In short:

That socio-market economy will be decentralized, citizen-oriented, expresses the Christian image of man, and promotes community and the common good. This corresponds to the principles of Catholic Social Teaching, which principally inspired and shaped the socio-market economy of Western Germany for most of the second half of the twentieth century.

Proposed Solutions:

1. Less capital-market orientation,
2. Stronger competition policies, Maintaining a diverse business enterprise landscape,
3. Strengthening of property-ownership, culture and community,
4. Less consumerism, Restoring civic virtues,
5. Decentralization and federalization, Reducing/limiting big business and promoting business diversity.

Business is a part of society – consequently it has a social responsibility and must fit the requirements of society. Businesses must not cause harm, unduly increase risk, destroy wealth, weaken the common good, corrode community, or encourage a winner takes it all mentality. Greed, hedonism and pure profit-seeking corrupts the economy and society. The guarantors of the common good are public spirit, responsible corporate governance, and entrepreneurial innovation. A restored regulatory policy in balance with managerial responsibility and accountability are needed to create a balanced and integrated society.

WE MUST RESTORE BALANCED MANAGEMENT WITHIN BUSINESS CORPORATIONS WHICH ARE INTEGRATED IN SOCIETY.