Evaluation of the professionalization of business management

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AN EVALUATION OF THE PROFESSIONALIZATION
OF
BUSINESS MANAGEMENT

by

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CHAPTER I

INTRODUCTION

The practice of business management has been in a state of constant change in recent years. Rapid advances in science and technology coupled with the growth of the corporate enterprise have changed the environment in which the business manager operates. These changes have caused increased interest in an examination of the role played by managers in our society. This examination has led many students of management to direct their attention to the possibility of management becoming a true profession. Recent management literature contains an increasing number of articles on the subject, and at least one plan has been prepared for the registration and certification of professional managers. This paper will evaluate the proposed professionalization of management and answer the question: "Should management strive to become a profession?"

Mr. Scacchetti's Plan

In January of 1966, Mr. Richard V. Scacchetti, Director of Administrative Services for the Life Insurance Association of America, published A Plan for the Registration and Certification of Professional Managers. This plan,
expressed in the form of a recommendation to the President of the Society for the Advancement of Management, prescribes the steps considered necessary to professionalize management. The plan contains detailed recommendations for the development of the professional manager through the phases of education, pre-registration, training, examination, registration and certification, and includes a proposed code of ethics, professional manager registration law, and eligibility requirements.

Mr. Scacchetti notes in the letter of transmittal with his plan that the "Professionalization of management is an evolutionary reality."¹ Further justification for the proposal is offered, as "In addition to the resulting enrichment of the public relations image of an organization or firm, the current costs for hit-and-miss management training programs would be radically reduced to increase the profitability of an enterprise."²

Professional Management Is Not a New Idea

Although the above plan represents the first known effort to create an organization of professional managers in this country, the idea that business management should

²Ibid.
be a profession is not new. As early as 1914, the eminent jurist Louis D. Brandeis saw benefits in business acquiring some professional attributes:

... success in business must mean something very different from mere money-making. In business the able man ordinarily earns a larger income than one less able. So does the able man in recognized professions—in law, medicine or engineering; and even in those professions more remote from money making, like the ministry, teaching, or social work. The world's demand for efficiency is so great and the supply so small, that the price of efficiency is high in every field of human activity.

The recognized professions, however, definitely reject the size of the financial return as the measure of success. They select as their test, excellence of performance in the broadest sense—and include, among other things, advance in the particular occupation and service to the community.

... Success must be sought in business also in excellence of performance; and in business, excellence of performance manifests itself, among other things, in the advancing of methods and processes; in the improvement of products; in more perfect organization, eliminating friction as well as waste; in bettering the condition of the working-man, developing their faculties and promoting their happiness; and in the establishment of right relations with customers and with the community. 3

In 1921, President Abbott Lawrence of Harvard indicated that business had achieved some of the goals set by Brandeis, as he noted that business administration was "the oldest of the arts and the newest of the professions." 4

The idea of professionalizing management found support in England also, as in 1922 the Institute of Industrial


4 Abbott Lawrence, Commencement Address at Harvard University, June 1921.
Administration was founded. The stated objectives of the Institute were:

1. To formulate the requirements and standards of knowledge, training, conduct, and experience whereby industrial management may be exercised as a profession;
2. to raise management to the status of an organized profession;
3. to encourage the maintenance of professional standards.5

The Institute established an organization to test the competence of prospective professional managers by means of examinations. It is not known how successful the Institute was in accomplishing the above goals, as recent literature does not mention the organization.

In 1925, management writer Mark Parker Follet voiced an agreement with President Lawrence that management was indeed a profession. Follet defined a profession as "an institution based on a proved body of knowledge which is used in the service of others,"6 and indicated that management had acquired this attribute when Fredrick Taylor laid the foundation of the science of management.

Recent Discussion of Professionalization

Other notable supporters of professional management include Joseph W. Towle, Past President of the Academy of

Management, who recently suggested that the degree of Master of Business Administration be recognized as one of the prerequisites for entry into the profession of management, and the President of the American Management Association, Mr. Lawrence A. Appley, who indicated his opinion with the simple statement, "Management is a profession."

Several recent articles have expressed another view of the professionalization of management. Paul Dunham expresses his opinion bluntly:

1. Business is not a profession;
2. Business cannot be a profession;
3. Business should not attempt to "pass" as a profession.

Peter F. Drucker goes further yet to state:

No greater damage could be done to our economy or to our society than to attempt to "professionalize" management by "licensing" managers, for instance, or by limiting access to management to people with a special academic degree.

There is, therefore, a controversy within the ranks of managers on the issue of management becoming a profession. The following pages will analyze this issue and Mr. Scacchetti's plan so that the question of this paper may be answered.

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8Lawrence A. Appley, "The President's Scratchpad," Management News, XXXVIII, No. 3 (March 1965), 1.


CHAPTER II
THE DEFINITIONAL PROBLEM

The question being addressed could obviously be answered differently, depending on what one means by the terms "management" and "a profession." Writers expressing the belief that management is now a profession, for example, offer broad definitions such as that quoted above from Mary Parker Follet.

The problem of defining management has not been considered by the writers noted above. Yet it is important to determine who would be included in the proposed profession. A profession consisting solely of the top management of major corporations would be vastly different from one encompassing all persons who "get things done through people."

Mr. Scacchetti recognizes the need for a definition of a professional manager as his plan includes the following paragraph:

A "professional manager" is an individual of good moral character, who after education, practical experience and examination has satisfied the professional management licensing board of this State as to his proven competence in: . . . .

11Scacchetti, op. cit., p. 7.
At this point he includes a recommendation that a committee be appointed to develop a definition. The task of evaluating Mr. Scacchetti's proposal is complicated by his failure to indicate whom he wishes to professionalize.

To define management for the purposes of this paper, certain assumptions will be made about the aims of those who wish to create a profession of management. As indicated by the title of this paper, the discussion will be limited to management of business enterprises. As the divorce from ownership assumes an important position in the discussion of professionalism, it will be assumed that the question concerns corporate management. Although first level supervisors or foremen are often referred to as management, professionalization efforts do not appear to be directed toward them. This discussion will therefore assume the lower limit of "management" to include second level supervisors. From a further review of the literature on professionalization, it is assumed that the question concerns line as opposed to staff officers. The manager of this discussion, then, will be a corporate line manager, of second level supervisor rank or above.

Defining a Profession

It has been said that "to define 'profession' is to invite controversy." This would appear to be true, since

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there is a rather extensive literature of definitions of profession, but no general agreement on any authoritative statement. Carr-Saunders and Wilson do not venture a definition in their otherwise thorough treatment of the professions. It may be noted that most definitions appearing in the literature seem to draw from a list of six criteria first proposed by Abraham Flexner in 1915:

1. Intellectual operations coupled with large individual responsibilities;
2. raw materials drawn from science and learning;
3. practical application;
4. an educationally communicable technique;
5. tendency toward self-organization, and;
6. increasingly altruistic motivation.13

The Professions in America, edited by Kenneth S. Lynn and the Editors of Daedalus, contains a definition in terms of four attributes thought to be essential to a profession:

... a high degree of generalized and systematic knowledge; primary orientation to the community interest rather than to individual self interest; a high degree of self-control of behavior through codes of ethics internalized in the process of work socialization and through voluntary associations organized and operated by the works specialists themselves; and a system of rewards (monetary and honorary) that is primarily a set of symbols of work achievement and thus ends in themselves, not means to some end of individual self interest.14

The above attributes are similar to those offered by some writers who attempt a detailed definition, but seem best

13 Ibd., p. 106.
suited of those reviewed for several reasons. The book is thought to be a major work in the field, and therefore carries some authority. In addition, it has the advantage of being in a neutral position with regard to the question of this paper. The question posed by this paper will be answered, therefore, through an examination of the desirability of management's adoption of these four attributes.
CHAPTER III

MANAGEMENT'S PROFESSIONAL ATTRIBUTES

The first attribute of a profession has been listed as "a high degree of generalized and systematic knowledge." Does such a degree of knowledge exist in management, and if lacking, should we strive to obtain it?

Management Education

The educational background of business managers has been characteristically diverse. Many executives of large corporations do not have a business degree. Some, who have very little formal education at all, have still become very adept at the "art" of management. But this picture has been changing, as the increased demand for talent has caused business to recruit managers from college campuses rather than within the ranks of company workers.

A recent study of middle managers by Fortune Magazine shows that over 80 percent of those interviewed had graduated from college, and half of these had gone on to take post-graduate degrees.\(^{15}\) This trend is expected to continue, and will undoubtedly result in a higher level

of education among managers. The managers questioned by *Fortune* did not possess a similar education, however. Only about 30 percent were business administration graduates. An equal number were from the various engineering studies, 20 percent studied the physical sciences, and the remainder were divided between mathematics and other professions outside of engineering. It is not claimed that those interviewed constitute a statistically adequate sample of business managers, but the diversification of management education is shown by this example. The diversification should not be surprising to a student of management, and is thought by many to be a healthy influence, as ideas are brought together from the various disciplines. Indeed, there is a growing argument that, because of the changing demands facing managers, corporations should increase their recruitment of liberal arts graduates.

Even those managers with similar business degrees, such as the Bachelor of Science or Master of Business Administration, would probably not have studied the same subject matter, as evidenced by the wide variety of

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17 Questionnaires were sent to 150 companies on *Fortune*’s list of the 500 largest industrial corporations, and to 50 of the country’s largest banks, insurance and merchandising companies. Some 4,000 questionnaires were sent to middle or upper level managers within the age group of thirty to forty-five. Tabulations were made from 1,003 questionnaires selected at random from the total replies received.
curriculum found in the various business schools. The different management theories which have emerged in recent years have been so widely varying that they have prompted Professor Harold Koontz to entitle a survey article "The Management Theory Jungle."

The above conditions clearly do not reflect the high degree of generalized and systematic knowledge necessary to a profession. It is not intended, however, that they should indicate that management education is in a chaotic state. There is a body of management knowledge with which it is generally recognized a manager should become familiar. This area of general agreement is unfortunately small, but growing. A great effort is currently underway to develop the emerging science of management. The study of management as a science is only about fifty years old, so it may be said that research in the field has only begun. The science of management is expected to develop over time, and will result in a more generalized and systematic body of knowledge. The efforts to build this body of knowledge are laudable, and few would disagree with the desirability of achieving this attribute of a profession.

An Educational Requirement for Managers

To require a specific education for entry into management, however, may be questioned. Mr. Scacchetti's
proposal includes the following educational requirement:

Graduation from a school of management which has been accredited by the American Association of Collegiate Schools of Business. This course of study or equivalent to be in addition to specializations and professions: law, accountancy, medicine, architecture, engineering, education, etc.18

While this requirement is not entirely clear, it appears that Mr. Scacchetti wishes professional managers to possess a Master of Business Administration Degree in addition to a specialized undergraduate degree. This requirement is unrealistically restrictive in view of the needs of business, and therefore must be opposed. In addition, the current state of management education hardly allows the creation of such a requirement.

It may be further argued that rigid educational requirements for entrance into management would be undesirable even if there were a generalized and systematic body of management knowledge. Easy entry into business may create the vigor and dynamism needed in our economy, and it may well be unwise to restrict those with the initiative and ability to succeed. The importance of this point is borne out by the low degree of correlation between academic ability and success in business. Patricia Salter West found in her study of 10,000 college graduates that, "academic ability, or whatever ability is measured by college marks,

18 Scacchetti, op. cit., p. 3.
makes very little difference to economic success in business."

Community Interest

The second attribute of a profession to be considered is "primary orientation to the community interest rather than to individual self-interest." Raising the question of whether management should be oriented to the community interest immediately involves the much debated subject of social responsibility, for in their relation to management, the two are synonymous. It is at once unfortunate and important that the question of social responsibility be discussed in this paper. It is unfortunate because it is a totally unsettled issue and one is at a loss to express the majority opinion on the question. It is further unfortunate because the issue is so involved that it has been the subject of several books and a complete discussion will be therefore impossible to achieve in these few pages. But it is important that the question of social responsibility be considered here, as it is a key characteristic of a profession.

The writer's solution must necessarily be one of compromise. The ensuing discussion will indicate the nature

of the issue and the primary arguments in favor of and in opposition to social responsibility. The arguments will be herein evaluated however, only insofar as they relate to the proposed professionalization of management.

The Issue of Social Responsibility

Some proponents of social responsibility believe that the manager's job

... is to allocate the returns of the enterprise among all the groups whose interests may be affected by corporate activities: stockholders, employees, government, suppliers, customers and members of the communities in which plants and offices are located. Management's job, in this view, is to reconcile the interests of these groups where possible, or where there is a conflict of interest, to dispense even-handed justice.20

This position is under attack by those who believe that management's responsibility should be to the stockholders of the enterprise.

Attention has been increasingly directed to this subject area as managers have become more aware of their position of social power in our society. The importance of the corporation in our society is seen in the fact that business is becoming characterized by huge oligopolies with declining degrees of competition. The effects of corporate actions are felt by many when a plant is moved, or automation is introduced. The manager's power has come about

through the increased importance of the corporation in our economy and through a shift in control from owners to managers. The many small owner-stockholders of a large corporation cannot control the actions of their enterprise. Many of them show little interest in its activities beyond payment of dividends. The large institutional stockholders have, thus far at least, indicated no desire to control the corporation. The manager has as a result been called a steward or intermediary between the corporation and its absentee owners. 

The Opponent’s Arguments

The question at issue is how management should use the social power it possesses. Several arguments are usually presented by those who believe that management’s responsibility is solely to the stockholders. The first is

21 Mason Haire presents an interesting observation regarding the seat of corporate power in Social Science Approaches to Business Behavior (Homewood, Ill.: Dorsey Press and Richard D. Irwin Inc., 1962). He indicates that the seat of authority in industrial organizations is yet in the process of shifting inwardly.

Prior to the industrial revolution, Haire notes, the source of authority for large commercial organizations was the state. This arrangement was typical of the Roman Empire and continued through later ages to organizations such as the British East India Company. During this period the approval and protection of the state were necessary for commercial operations. The industrial revolution brought the necessity for property, plants, machinery, and most importantly, the formation of concentrated capital. As these developments were paralleled by the rise of the rights of private property, a new group of owner-capitalists assumed ultimate authority for the organization. The comparatively recent rise of corporate organizations, with their
based in economics, as Eugene V. Rostow points out:

The law books have always said that the board of directors owes a single-minded duty of unswerving loyalty to the stockholders. The economist has demonstrated . . . that the quest for maximum revenue in a competitive market leads to a system of prices, and an allocation of resources and rewards, superior to any alternative, in its contribution to the economic welfare of the community as a whole.\textsuperscript{22}

This argument suggests that to seek less than maximum profits will lead to malfunctions in the economy. The second issue is often raised in the form of a question: is it desirable in our society to establish the business manager as a dispenser of social justice, who reconciles the diverse widespread ownership of stock, created a further shift of the evolving power source to what Haire calls the "professional" manager. (The loose usage of this word cannot go unnoticed in this paper.) Having shifted, therefore, from the state through the owner, the organization power presently rests with the manager.

Haire predicts that the source of power will not rest with managers, but continue to shift inwardly. He feels that we are already witnessing a shift in authority from the manager to the staff expert, and that this shift will grow with technology until the seat of authority rests with those experts. Haire further predicts that the experts will only hold power temporarily, as the final source of authority will be the work group. The final control will be self-control; the self-control will come from the individual's commitment to the organization, and the individual's commitment will come from his integration into the general goals and activities of the organization.

The issue of social responsibility does not appear in Haire's discussion of power, but as their relationship was established in this paper, the implications of Haire's observations were considered worthy of note.

interests of all those affected by the corporation? If this were really the function of management, this argument continues, it would seem only fair to allow all parties affected a voice in their selection. "It is contrary to all democratic tradition for constituents to have no say in the selection of their representatives and no way of calling them to account."\(^{23}\) If management's role were to become one of an arbiter whose main job is to keep things running smoothly, this argument asks why the job could not be more properly handled by government.

The Proponent's Arguments

The proponents of social responsibility have, of course, morality on their side. Management has a moral obligation to accept social responsibility commensurate with its social power. But there is another, even more compelling argument in favor of social responsibility—the alternative. It has been repeatedly indicated that if business does not accept the responsibility for the social problems it creates, its power over the situation will be usurped by government. A great many of the regulations by which government exerts control over business can be traced to the unwillingness of business to exhibit social responsibility. And although the attitude of business has changed in recent years in favor of social responsibility, the change has not

\(^{23}\)Dale, op. cit., p. 55.
been enough to deter the threat of additional government intervention. This past year the automobile industry found that its failure to adopt adequate safety standards led to a damaging investigation and government controlled standards. A truth-in-packaging bill which was greatly disliked by business was not defeated by a wide margin and will remain a threat unless the packaging industry accepts its social responsibility. The control of air and water pollution is another excellent example of the alternative facing business. If business does not accept the responsibility for curbing this pollution, and it has so far initiated little action to do so, it will become subject to the punitive clauses of anti-pollution legislation. The changing business environment will continually provide new opportunities for business to choose between self-regulation or government control. We have, for example, witnessed but a few of the social problems to be created by automation.

Social Responsibility and the Professionalization of Management

The above outline of the social responsibility issue fails to do justice to this complex question, but will serve the purposes of this paper because that unsettled issue need not be resolved to determine whether management should adopt the defined professional attribute. The attribute under consideration requires primary orientation to the community interest. In terms of the social responsibility issue, it
would require management to be \textit{primarily} responsible to society.

A review of the outlined arguments will show that this adjective is not at issue. The profit-maximizers fear that management might at most be equally responsible to the firm and society. Nor does the most effective argument in favor of social responsibility imply that management should be primarily responsible to society. On the contrary, that argument is oriented towards management's self-interest. It is often noted, in fact, that acceptance of social responsibility will lead to long-run profit-maximization. This can hardly be considered a professional motive, but is, however, a realistic one for business. Although some may deem it unfortunate that the moral argument has so little force, such would appear to be the case. Management's actions, both past and present, allow the assertion that acceptance of social responsibility will, if it occurs, arise from defensive rather than professional motives.

\textbf{Community Orientation in Scacchetti's Plan}

The proposed \textit{Plan for the Registration and Certification of Professional Managers} does not stress service to the community as much as allegiance to the organization. The concluding paragraph of Mr. Scacchetti's letter of transmittal states:
I read somewhere than an effective way to decide whether you have a profession at all is to discover if professional managers will turn down jobs in the field because the jobs would be against the public interest. Limited liability inherent in management's responsibility and accountability will be more sharply defined and will result in greater professional obligation and trust to the organization and to the community at large. As I mentioned in earlier correspondence that the professional manager be "not solely financier, but engineer, psychologist, economist ... a man of all men to be a recognized qualified licensed leader of men."\textsuperscript{24}

This paragraph and Mr. Scacchetti's proposed code of management ethics indicate that the motive for the professionalization of management is not primarily service to society. The apparent motive and the proposed code of ethics will be further discussed later in this paper.

\textbf{Achievement Symbols}

Another attribute of a profession as defined herein prescribes for "a system of rewards (monetary and honorary) that is primarily a set of symbols of work achievement and thus ends in themselves, not means to some end of individual self interest." Social rewards for occupational performance in our society may take the form of money income, general prestige and specific honors or symbols. The professions stress prestige and honors since these are more appropriate than money income for community interest. The reward system in the professions

\ldots tends to consist, therefore, in a combination of prestige and titles, medals, prizes,

\textsuperscript{24} Scacchetti, \textit{op. cit.}, p. 2.
offices in professional societies, and so forth, together with sufficient monetary income for the style of life appropriate to the honor bestowed. Although the professions are not so well paid, on the whole, as equal-ranking business roles in American society, all studies show that the public ranks the professions at the top of the occupational prestige hierarchy and that professionals themselves are more satisfied with their work-rewards than are other occupational groups.

There appears to be little controversy regarding the adoption of this attribute by management. However, this attribute differs from the others in that it cannot effectively act alone. A professional title or honor would have little reward value in terms of prestige if it is bestowed by an organization which is not publicly recognized as a profession. It is the elevated status of the professional group that causes the reward to be prestigious.

A Code of Ethics

To become a profession as defined herein, management would have to adopt a code of ethics which would be administered by a professional organization of managers. The idea of a code of ethics is a parallel to that of social responsibility, and has similarly received much attention, both pro and con. The question to be answered here is: Should management adopt a code of ethics and insure compliance with that code? The major arguments in opposition to a code of business ethics will be presented first.

25Lynn, op. cit., p. 19.
Ethics or Competition?

A code of ethics is basically a form of social control. Business has characteristically been controlled by society through competition and governmental regulation. Competition is usually considered to be the most desirable form of business control in our economy. Even though that economy is now characterized by large oligopolistic firms, society still expects competition from other firms to keep the price and quality of goods it buys under control. Much governmental regulation of business has been enacted in an attempt to secure the competition which is expected of business. For the most part, such regulation was enacted only after society thought that competitive controls had broken down. The point here is that society relies on competition as the primary control for business.

The professions, on the other hand, are characterized by a lack of public competition, particularly with regard to price. The quality of service to the client is emphasized by the professions, and elaborate steps are taken to guard against public price competition. Most professions prepare standardized fee schedules to which they expect their members to adhere. Competition is considered an unethical and wasteful form of control.

This argument may be summarized as:

Business is different from the traditional professions in the degree to which control through competition is possible or desirable. For business . . .
competition is a workable form of control which, though it cannot be relied on exclusively, is more efficient than either professionalism or government.26

Practitioner-Client Relationship

The concept of a code of ethics has deep roots in the personal relationship of the professional practitioner to the client being served. Because a professional professes to a great knowledge and skill advantage over the layman in his field of endeavor, a code of ethics is necessary to protect those laymen enlisting his services. The layman client relies upon the professional's adherence to a code of ethics to insure that his ignorance will not be taken advantage of. This client-practitioner relationship, with dependence on a code of ethics, is a characteristic of the professions.

The opponents of professional management would argue that such a concept cannot be applied in the same way to business management. They ask whether the practitioner in business would be an individual manager, or all those in a firm who are referred to as management. And would the client be an individual, or all persons affected by the operations of the firm? The nature of the operations of large firms indicates that the two groups would be involved, since the

firm acts as an organization, the actions of which are felt by many. A truly personal relationship, as found in the professions, cannot exist between these two remote groups. The lack of such a relationship, the argument continues, would undoubtably cause management to be poorly receptive to its ethical responsibilities since these responsibilities would be difficult to perceive. Some students of management feel this problem alone would prevent management from acquiring professional attitudes and practices.

The Problem of Compliance

Control through a code of ethics requires that the practitioners believe other members of the profession will follow such a code. A 1961 study of ethics in business by The Harvard Business Review revealed that although most business men say they would follow a code of ethics, they do not think the "average" businessman would follow suit. Of the 1,531 businessmen responding, only one in a hundred disagreed with the statement that "sound ethics is good business in the long run." However, "four out of every seven executives believe that businessmen would violate a code of ethics whenever they thought they could avoid detection."27 This cynicism or unwillingness to identify with the group is coupled in these data with a suggestion that managers have

a "double ethic," whereby they apply one standard to friends and another to strangers. "This cynicism, this double ethic, undermines . . . the ability of an executive to believe that written codes of ethics will really work. Such cynicism must certainly be considered when trying to predict a man's behavior in a touchy situation, especially if he believes that most others would behave unethically if they were in his position."28 This argument against a code of ethics then may be stated simply: businessmen will not comply with it, so why bother.

Why, indeed, bother? The discussion may now proceed to examine the argument in favor of a code of management ethics.

One reason for the establishment of a code of business ethics is similar to the previously listed arguments for social responsibility. Business has a defensive interest in establishing a code of ethics. The alternative is to have government enter the area of business ethics and prescribe through the courts the moral boundaries within which business must live. "If businessmen do not want their ethics dictated to them, they must develop an ethical philosophy of their own. They must familiarize themselves with philosophical thought and they must give substantial attention to the ethical dimensions of business decisions."29

28Ibid., p. 19.
Perhaps the best reason for a code of business ethics is that a need for a code is felt among managers. The managers in *The Harvard Business Review* study overwhelmingly favored the development of a code of ethics. "Only one man in ten opposes such an effort." Thirty-one percent of the executives believed a code would raise the ethical level of their industry.

There are several reasons why managers feel a need for a code of ethics. Perhaps chief among these is a realization that business is considered by much of the general public to be unethical. Periodic headlines of price fixing, fraud and scandals serve to reinforce this public opinion. Many managers believe that an effective, enforced code of ethics would do much to improve their image. In addition, most managers share a genuine desire to clean up their industry. There is a belief among some of these businessmen that many unethical practices persist, not because the managers involved do not care, but because the practices are thought necessary since "everyone else is doing it." Such practices as gifts to purchasing agents and lavish entertainment for prospective customers are thought to persist because it would be competitively disadvantageous for one firm to discontinue them. A third reason why managers desire a code of ethics is that they feel it would assist them

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30 Baumhart, op. cit., p. 166.
in making decisions involving ethics. There was near unanimous agreement among the executives in the above noted study that a code would help in this area.

There are undoubtedly other facets to a code of ethics, but the listing of the above major arguments should allow the determination of an answer to our question. In view of the above, should management adopt a code of ethics? The arguments in opposition to a code are, in summation, that it would be undesirable to replace competition with a code of ethics as the primary form of social control over business, and that establishment of an effective code of business ethics would involve great difficulties. Upon close examination, however, these arguments do not establish that an effective code of business ethics would be undesirable. The fear that competition would suffer appears unfounded unless a code were specifically designed to reduce competition, as some professional codes are. There are, on the other hand, strong arguments favoring the creation and enforcement of a code of management ethics.

It is generally recognized that the preparation, and particularly the enforcement of such a code would be difficult. The executives in Reverend Baumhart's study agreed that a code of business ethics would have to be enforced to be effective, and 87 percent of them believed that enforcement would be difficult. This discussion would be incomplete without a brief examination of the problem of
preparing and enforcing a code of ethics, and this examination might well start with a study of Mr. Scacchetti's proposed code of management ethics.

Mr. Scacchetti's Code of Ethics

The code of ethics contained in Richard Scacchetti's Plan for the Registration and Certification of Professional Managers consists of twelve standards of professional conduct. The standards are very general in nature. They may be broken down roughly into three categories: those which stress allegiance to the firm; those which are concerned with the professional organization; and those relating to social responsibility. Mention was made earlier that this code of ethics was weak in the latter area. The three standards which express social responsibility are:

3. A professional manager maintains an awareness of the public interest and adheres to the laws of the state, district, or territory in which he and his organization conduct business.

4. A professional manager is responsible for the working health and welfare of employees under his control at the place of employment.

5. A professional manager maintains an awareness of the economic effect of the organization which he serves within the communities where the activities of the enterprise are conducted.31

These standards contain so many disclaimers and weak words as to render them impossible to violate. The words "maintains an awareness," appearing in two of the standards, 

31Scacchetti, op. cit., p. 5.
make them nearly meaningless and impossible to enforce. Standard number 3 says, in effect, that the ethical minimums are the legal minimums. One wonders why, in standard number 4, Scacchetti felt it necessary to add the words after "employees." Would a doctor disclaim responsibility to a patient as soon as the patient departs from his office?

Standards 1, 2, and 10 indicate the emphasis of this code toward allegiance to the firm. They are:

1. A professional manager strives to maximize profitability for an enterprise with which he is associated to insure the economic and financial goals of the enterprise.
2. A professional manager accepts organizational responsibility and is accountable to the principles of the organization for the success or failure of the office which he holds.
10. A professional manager shall always guard the interests of his organization or enterprise.

These standards leave no doubt that Mr. Scacchetti's professional manager would not be primarily oriented toward the community interest. They do not sound at all like the words of someone in favor of a true profession of management.

Suggestions for a Code of Business Ethics

The apparent faults in Mr. Scacchetti's code provide an opportunity to offer suggestions for the preparation of a more effective code of business ethics. This development is considered warranted here as some students of

\[ \text{Ibid.}, \text{ pp. } 5-6. \]
management believe that an effective code of business ethics can only come through professionalization.

It is suggested initially that the aims of a code should be clearly determined before effort is made to write one. If management wishes primarily to improve its image through the creation of a code, or to answer charges that it does not have a code, the result will undoubtably be ineffectual—both for raising ethical standards and creating an image. The code writers must take a corrective attitude. They must sincerely wish to correct certain practices which are considered to be unethical.

The second suggestion is that the code be specific. A number of industries have had ethical codes for many years, and in 1958 the National Association of Manufacturers issued a Code of Moral and Ethical Standards. These industry codes and the NAM code have been ineffectual, mainly because they consist of generalities and expressions of good intentions. To be effective, a code should contain specific, detailed statements of what practices are considered to be unethical. The formulation of these statements might be done with the assistance of industry members, using an empirical approach like that of the American Psychological Association in preparing its Ethical Standards of Psychologists. The APA asked its members to "describe a situation they knew of first hand, in which a psychologist made a decision having ethical implications, and to indicate what
the correspondents perceived as being the ethical issues involved. A thorough analysis of these reports reduced the ethical problems into a set of standards.

This approach might be done most efficiently on an industry basis rather than by business collectively since a number of the ethical problems may not exist in all industries. In examining the problems and preparing ethical standards, the industries should seek the advice of clergymen. Business has in prior years complained that the clergy did not understand their problems, but this situation is changing as more clergymen are becoming interested in and acquainted with the ethical problems of business. The ethical codes which result from this process should also be constantly reviewed to insure that necessary revisions are made when needed.

The final suggestion concerns enforcement of the codes. Enforcement of ethical codes in the professions is typically done by a state board, appointed by the Governor, with power to revoke the license of a practitioner and restrain by injunction his continued practice as a professional. Code enforcement without this organizational framework is considerably more difficult, and raises the question of how a code of business ethics could be enforced. The executives in Reverend Baumhart's study felt that enforcement should

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come from within business as they were reluctant to allow their ethics to be controlled by an outside group or government. There are, however, problems involved in depending on each firm to self-enforce a code of ethics, since the degree of effectiveness of the code will surely vary depending upon the attitude of top management. Enforcement by a group of managers selected from various companies offers the advantage of consistent enforcement, but managers have expressed a reluctance to give any real enforcing power to such a group. A workable solution might involve a combination of the two methods, depending primarily on self-enforcement within companies and secondly on an industry group to provide enforcement continuity and to intervene in serious code violations. This solution would demand that managers give some real authority to an industry group.

Clearly, the full cooperation of top management must be obtained for an ambitious venture such as this. It is suggested, therefore, that an existing industry organization could begin a campaign for improved ethics by soliciting the support of the senior executives of the major companies in the industry. If this group can develop a sincere desire to initiate an effective code of ethics the project has some hope for success, for these executives can influence the attitude of management upon which a code will be dependent.
CHAPTER IV

CONCLUSIONS

The Desirable Attributes

In summary, this analysis has indicated that management should strive to achieve several of the attributes of a profession. The attainment of a high degree of generalized and systematic knowledge is clearly in the interest of improving management, and efforts to develop this knowledge which are underway should be encouraged. The achievement of a greater degree of community interest will also benefit management, as it has been shown that to avoid this interest will result in a forfeiture of control over a business problem. The preparation of an effective code of ethics is also seen as desirable, since managers feel the need for such a code to help them in handling problems involving ethics and to improve the ethical posture of business, thereby reducing public criticism and the threat of government-dictated ethics.

Problems with Professionalization

The analysis has also indicated, however, that there are reasons why management should not attempt to become a true profession. It has been shown that management knowledge
is not sufficiently complete to justify advanced educational requirements prior to management practice, and further, the wisdom of so limiting entrance into management even after knowledge has developed is in doubt. In addition, there are persuasive arguments in opposition to management extending its social responsibility role to the point of being primarily responsible to the community. While the analysis has indicated the desirability of a code of management ethics, it has also indicated that a code could be administered without the enforcement apparatus of a profession. Several practical problems with professionalization have been noted—the lack of a true client-practitioner relationship for example. There are additional practical problems which should be considered in this discussion.

It is most difficult to hazard an estimate of the number of managers who might be included in the proposed profession of management, as such a figure would be dependent on the adopted definition of a manager. However, unless the adopted definition were quite restrictive, one would expect the proposed profession to claim at a minimum all executives of all corporations in the United States. This group would be of considerable size, and would exhibit a wide variety of work roles and interests. No established profession has nearly this large an organization, or contains such a diverse occupational group. These characteristics of the proposed profession of management would cause effective functioning to
be nearly impossible to achieve and would further raise serious doubts as to whether the profession could ever be created.

Another problem with the proposed profession of management centers on the role of a professional in an organization. Mr. Scacchetti indicates a belief that adoption of his plan would result in benefits to both society and the organization, and he especially emphasizes a resultant increased allegiance to the organization. It is thought, however, that the suggested benefits would not accrue to the organization, for the truly professional manager would be required to act in the best interests of society rather than the self-interests of the firm. If the manager is to increase his allegiance to society, it is expected that his allegiance to the firm would diminish somewhat proportionately.

In addition to dividing the manager's allegiance with society, the firm would also find the professional organization asking for a share. Experience with professionals in organizations has shown that their dual membership leads to conflicts and "places important restrictions on the organization's attempts to deploy them in a rational manner with respect to its own goals."³⁴ The social effects

of creating a management profession would include closer intra-firm ties between managers, and particularly those on similar professional levels. The increased contact between these supposed rivals would heighten the opportunity for "gentlemen's agreements" regarding competition and would therefore arouse the suspicion of government controlling agencies.

Other "Professional" Business Groups

There are several occupational groups within business that are attempting, with varying degrees of success, to become professions. A review of the problems faced by these groups may illuminate the question of business professionalization. These groups have attempted the steps taken by most professionally aspiring groups, as the steps are quite definite and even the sequence is explicit. The first step is the establishment of a "professional" organization. Then the group changes its name, which serves the multiple function of reducing identification with the previous occupational status, asserting a technical monopoly, and providing a title which can be monopolized, the former one usually being in the public domain. The third step is the development and promulgation of a code of ethics. This is followed by a prolonged political agitation to obtain the support of public power for the maintenance of the new
occupational barriers.  

Accountancy may be cited as an example of an emerging profession within business. The Certified Public Accountants have achieved the first three steps outlined above, but have encountered difficulty with the last. In particular, the "uncertified" public accountants continue to compete with the professionals for public favor. The dilemma of accountancy typifies one of the problems of an emerging profession—the portion of the old occupational group that does not professionalize. The new profession cannot and may not wish to abolish this group, but their continued existence detracts from the prestige and effectiveness of the new profession.

Although accountancy is an occupational group within business, it is far more amenable to professionalization than business management. Accountants have, for example, a body of knowledge which, while not satisfactory to all, is generally agreed upon and fairly well defined. They have in addition a very important advantage over management in the form of a true client-practitioner relationship. While it must be admitted that accountants employed by business firms lack this relationship, a sufficient number of their colleagues are engaged in private practice to provide

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this essential element. Accountants also have a readily perceivable obligation to the public interest. Society needs accountants and must depend on them to provide a professional service. In view of these differences, it is presumptuous to assume that management could achieve accountancy's degree of professionalization with comparable ease.

Real estate agents provide a second opportunity to review the efforts of a professionally aspiring business group. This group has taken the four steps outlined above, but like accountancy, has encountered problems. Having adopted the professional title of "realtors" and succeeded in licensing its practitioners, the group has found it difficult to prepare and enforce an effective code of ethics. Ideally in the professions, there is but one client, the person who applies for services and accepts them on the conditions dictated by the profession. But a realtor places himself between two clients—the buyer and seller. This relationship has placed severe restrictions on the professionalization of realtors. An interesting parallel might be drawn here with management, for although the "professional" manager would not enjoy a personal client-practitioner relationship, he would suffer from a dual allegiance to society and the stockholders.

A review of the professionalization efforts of the insurance industry will conclude this examination of professionally aspiring business groups. The insurance industry
holds particular interest in this review due to Mr. Scacchetti's position as Director of Administrative Services for the Life Insurance Association of America. The insurance business may perhaps be better suited than management for professionalism due to the existence of a lay clientele who must place some trust in the insurance agent's integrity. The requisite client-practitioner relationship is therefore available to the agent. Insurance agents have also taken several of the four steps outlined above, with the creation of: associations such as the National Association of Insurance Agents, the professional titles of Chartered Life Underwriter and Chartered Property Casualty Underwriter, and codes of ethics.

But despite these "professional" advantages over management, the insurance business has not acquired true professional stature. A basic reason for this failure also implies that the industry, like Mr. Scacchetti, wants professional status but does not really wish all the responsibilities associated with a profession. There is competition in the insurance industry, and it is thought doubtful that Mr. Scacchetti or the industry would prefer it otherwise. Competition in the true professions, as noted previously, is carefully restricted. As insurance rates are supposedly based on actuarial tables, the companies and agents compete largely by varying the insurance package. The resulting variations and combinations of insurance coverages
are often so confusing to the layman client that the agent's claimed altruism is negated.

The cost of insurance is based on the company or agent's assessment of the risks involved. In some professions, medicine for example, the client's ability to pay may have an important bearing on the cost of services. It is further considered doubtful that the insurance industry would prefer this professional method of pricing.

These three business groups of accountancy, realty and insurance illustrate in their professional drawbacks only a few of the problems expected in an attempt to professionalize management. For a profession of business management would encounter these difficulties as well as the many others noted herein.

Professionalism for Status

The creation of a profession of management offers no small benefit to managers in improving their status. The established professions enjoy such high status in our society that it appears an occupation has only to join the select group to share the image. Business has historically held a position of low status in society, and the corporate manager's image has become more tarnished through present day scandals and frauds. Many managers are troubled by the fact that even in an acquisitive society such as ours, they enjoy less status than a professional who received one-half as much
salary. Professionalization appears therefore as an apparent means of status elevation. Although some proponents of professional management are probably sincere in their desire to create a true profession, others seem only interested in creating an image. A review of Mr. Scacchetti's proposal must place him closer to the latter group. For in the critical areas of community service and a code of ethics, the preceding analysis has shown Mr. Scacchetti's reluctance to accept the responsibilities of a true profession.

One might attempt to justify the effort at creating an image since an elevation of status is so desired by business. The problem with this line of thought is twofold. First, society would reject a profession of management created by such motivation. Despite the best efforts of the advertising industry, this deception based in words and not deeds would be considered by the public to be only another in the long list of frauds perpetrated by business. Secondly, this attempt to sell a false image would discourage efforts to really improve business management and promote the resultant improved image.

Professional Management and Society

A profession should be created, not to meet the esteem needs of its aspiring members, but to meet the needs of a lay society which must deal at a disadvantage with those who profess. As a client cannot know exactly what his needs
are when dealing with such an expert, he must trust the professional and assume that the practitioner is obligated to serving his client. The analysis in this paper has shown this relationship to be lacking in the case of business management. We cannot demonstrate that society needs a profession of management, and indeed, evidence which shows society to need protection from management implies a solution in further government controls over business. Such additional control, it has been noted herein, may be fore-stalled if business will act in the interests of society.

The creation of a management profession such as that proposed by Mr. Scacchetti would be of questionable benefit to society simply because it was not designed to serve society. Society would, however, gain indirectly from improvements in the practice of management, and insofar as any professionalization effort yields such results it must be deemed good. This paper has noted, however, that there are arguments in opposition to a profession of management and practical problems barring its creation, as well as reasons why management should strive to acquire several professional attributes.

The Question Answered

This paper has attempted, through an evaluation of the professionalization of management, to determine whether management should strive to become a true profession. The
answer to that question is at this point apparent. This paper has shown that it would be in the self-interest of management to acquire several of the attributes of a profession. Management should strive to attain a high degree of generalized and systematic knowledge and a greater degree of community interest, and should adopt effective industry codes of ethics. It is concluded, however, that management should not strive to become a true profession, and further that the achievement of this position would be blocked by practical problems.

The desire to elevate the status of business management, which has apparently motivated some efforts toward professionalization, is understandable and beneficial, but would be more effective if directed to the improvement of management performance. For it is actual performance, rather than a created image, upon which management will be judged.
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