

Community and Society Managerial Decision-Making Between Political Loyalty and Economic Interests.¹ The Case of German Managers

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In my paper I would like to focus on a question which may seem awkward at a time when the so-called “globalization”—following so-called “internationalization,” and now apparently followed by so-called “transnationalization”—is presented as the overall explanatory model for societal transformation. The vague discussion about “globalization” during the past decade has almost extinguished from theoretical debate the idea of a political community as a constituent structure of sociality—including its most elaborate form: the modern nation-state. At the same time, the concept of a civil society (*Zivilgesellschaft* or *Bürgergesellschaft* in the German context) has gained prominence, and this prominence is an indicator for the relevance of what constitutes the nation-state: the political community.

Another assumption underlying my paper may appear to be even more awkward: to consider top-level managers to be exposed to conflicting aims, i.e. their economic interest, on the one hand, and their political loyalty, on the other. At a time when it has become standard fare to link the nation-state’s demise to a vague notion of “globalization,” how can I seriously employ the idea of managers—the very protagonists of globalization!—being “loyal” to a community, their nation-state?

Despite its prominence among intellectuals, researchers, and politicians alike: Does the thesis of the “end of the nation-state” adequately reconstruct and represent transformations currently underway? Or does it represent a blurred perception of a transformation that has been going on for some time? What is commonly not considered is that the nation-state remains the most extensive and most inclusive institution guaranteeing and defending a community’s legitimate political order.

Managers doubtless are protagonists of a process of “internationalization.” And I want to suggest that because of this role, their attitude towards this process should be revealing. This I want to do by way of presenting the results of analyses of several interviews, which I conducted with German managers of interna-

¹ I am grateful to Dr. Axel Jansen for his support and critique in writing this paper.

tional corporations. First I will look at the structure of entrepreneurial decision-making today. Next, I will reconstruct its justification in terms of tacit social agreements, in other words: its legitimization. Finally, I will try to give an explanation for the apparent discrepancy between the discourse on “globalization,” on the one hand, and the reality of decision-making by managers with responsibilities that transcend national boundaries, on the other. This leads to concluding remarks about the importance of the political community as an integrating structure.²

It has been a quite common feature of commerce that it reaches across borders, and when we speak of the internationalization of production and commerce today, it is as a result of a process which is quite old. Contemporary societies probably find themselves on a new historic level of this development, but the pattern is not at all new. Companies engaged in international trade have at all times had to rely on the consent of the respective political communities in order to be able to let people pass into foreign territory, or to exchange goods and services across borders. There have always been barriers to this kind of activity, and even today, at times when national economies are not doing well, governments tend to protect their markets. These are simple examples of the basic fact that political structures are the foundation for any market activity, and it is because it is so fundamental that we may tend to forget it.³

That the nature of the political communities has remained unclear in academic debate on this issue may become somewhat more apparent by considering the fact that the term “capitalism”⁴ is sometimes still applied to political structures.

The difference between the logic of communities (i.e. the reciprocal recognition by and of its members in all aspects of their characteristics and attitudes), on the

² See Daniel Levine, „Individualism Reconsidered. Rhetoric and Reality in American Welfare History“, in: R. Becker, A. Franzmann, A. Jansen und S. Liebermann: *Eigeninteresse und Gemeinwohlbindung. Kulturspezifische Ausformungen in den USA und Deutschland*, Konstanz: UVK, 2001, S. 99-114.

³ The extreme feeling of insecurity and the specific intellectual discourse in the United States after September 11, the separation of world politics in good and evil is a very strong indicator for the still ongoing process of nation-state building.

⁴ For me there is a crucial difference between Marx and Webers reconstruction of “capitalism”. Weber always had in mind, that the term “capitalism” is only adequate for the economic order, but not a term to define the political structure. Marx confounded both because for him politics were only a reflection of economic structures. It is the same with his analysis of exchange: there is only the exchange of equivalents but not what I called aimless sociality. Basis-Superstructure. ⁴ I am not using the term “capitalism“ in Karl Marx’ sense, i.e. I do not understand capitalism to characterize the entire political community. Following Max Weber’s arguments, “capitalism” is nothing but an *economic* order that is *embedded* in a political consensus, i.e. it is dependent on political institutions.

one hand, and society (i.e. the reciprocal recognition by and of a contractual partner in cooperation towards a specific goal), on the other, is confounded as if they, together, constituted the basis for human life. Contractual (or, quoting Talcott Parsons: “specific social”) cooperation, however, does not make up human social cooperation. Historically and ontogenetically, social cooperation is a result of institutionalizing these two different structures of social action. These two different structures are not on one plane. Instead, “society” in the strict sense, i.e. those areas in which bargaining between contractual partners takes place, is embedded in the other, more basic structure of the community. In this way, business or economics, even though they are patterned by roles, rules, and contracts, do not provide any “constitutive”⁵ social rules for the life of a community.

In companies conducting business internationally, top-level managers today find themselves in an increasingly powerful position vis-à-vis political communities. This is because their accounting policy determines what kind of tax revenue a political community receives. I am not trying to say that companies leave markets as easily as is sometimes assumed. What I would like to point to instead is the issue of whether their decisions are still in keeping with the political consensus of the political community to which managers belong.

The consequences of strategic decisions are enormous in the above sense and the accordance of decision-making and political consensus seems to be important as a legitimizing and stabilizing basis.

Consider the following scenario, where there are two types of managers:

The first type of manager is characterized by a more or less indifferent attitude towards the political consequences of his decisions. Let’s call him the “global player.” He feels that the loosening of ties to his community rid him of unwanted restrictions. The second type is aware of the discrepancy between the political interests of his community and those of his company, but he feels uncertain whether his decisions do still conform with the legitimate order of the community he belongs to. There is another way to describe the problem both types of managers are facing: Taxes are a country’s main tool for participating in a company’s economic success. But at a time when companies are operating in several countries at the same time, and at a time when the transfer of ideas is as easy as making a phone call or hooking up a computer, you can hardly say to what extent which community should participate in a company’s profits. From the point of view of international “justice,” the current system of taxation is becoming increasingly inadequate.

⁵ An expression used by the American philosopher John Searle to describe two types of rules. See *Speech Acts. An Essay in the Philosophy of Language*, Cambridge University Press 1990.

In my findings⁶ I have not found any evidence for the first type of manager, but surprising and unexpected evidence for the prevalence of the second.

In interviews with these managers, I focused on two subjects. I had discovered that to confront them with my underlying questions head on would not have been a good strategy because my interviewees were insufficiently aware of the problem. I therefore chose to raise the issue indirectly by way of discussing two subjects, and to try to infer from their response how they in fact acted within the coordinates outlined above: the discrepancy between their political interests as citizens of a particular nation-state, and their economic interests as managers of a particular company.

In my opening question, I outlined the following problem: Whereas in the past, political and economic interests seem to have been much in accord, managers today have to focus on their company's interests first. They now have to make decisions which are contrary to the interests of their political community, because their foremost aim is their company's success. I suggested to them that, accordingly, they were now free to follow their company's interests without regard to the political consensus and expectations.

The answers were surprising, not with respect to what the interviewees responded, but *how* they said it. So as to give you an idea of my findings, I would like to briefly sketch the answers provided by one of my interviewees, Mr. F.

Before I had finished asking my question, Mr. F. cut in and underlined that it was indeed impossible today to remain loyal politically. At the same time, however, he refused to acknowledge that there was now more "freedom." Using the example of Deutsche Telekom, he sought to illustrate the importance of political loyalty.

Why did the interviewee choose Deutsche Telekom as an example? By doing so, he sought to reduce the range of his managerial responsibility to sell his product. Deutsche Telekom, however, is unique and does not work well at all. Until the 90s, the company was state-owned and later it was privatized on paper only. Telekom struggles with the change because as a public company, it could rely on economic privileges and did not have to work according to private standards of efficiency and customer-orientation. It was a new and challenging situation for employees and managers to leave the state-oriented attitude behind, and to assume that of a private company. So why does the interviewee pick this example? His company never underwent this transformation and has been private all along.

Now, it is important that even though the interviewer seeks to reject the argument suggested to him, he in fact confirms it. The fact that he uses an exceptional case to illustrate the structure of business in general—that of Deutsche Telekom—, he betrays a certain uneasiness with the "freedom of decision" which the

⁶ See Sascha Liebermann, *Die Krise der Arbeitsgesellschaft im Bewußtsein deutscher Unternehmensführer. Eine Deutungsmusteranalyse*, Frankfurt: Humanities Online 2002.

interviewer, in his question, had implicitly referred to and asked about. Later on during the interview, Mr. F. indicates that he, too, understands that Deutsche Telekom is an exception. He points out that it was just an example and stresses that he was free to make decisions just like the interviewer had suggested. But why, then, did the interviewee hesitate to accept that view in the beginning? What did he seek to accomplish by arguing that managers, in the exceptional case of Deutsche Telekom, were not really free to do what they think should be done? He could have gone a different way and argue that, as a manager, it is his responsibility to generate profits, and that the political community participates in these profits because they are taxed. Yet instead of offensively countering the interviewer's question, Mr. F responded as though he felt criticized by the suggestion that as a manager he was free to make decisions with negative implications for a nation-state.

In the second interview-excerpt I would like to present, the subjects are 'technological progress' and 'the substitution of human work force by automation technology.' This excerpt begins with the question put forth by the interviewer: There is a rise of unemployment among low-skilled workers, and since the 1990s, well-educated employees have increasingly been unemployed as well. This raises the issue whether we should consider substituting innovative technologies for humans, thus increasing the political community's wealth while lowering the demand for workers—setting the latter free to pursue interests outside of traditional work. This argument is then tied to another idea: that substituting unskilled workers for technology is inhuman since people are then valued, not for their creativity, but as cheap instruments for routine tasks.⁷ The interviewer concludes by suggesting that in the United States, there exists work which in Europe has long been passed on to machines.

In response to this question, Mr. F agrees, and he goes on to say that German companies always chose a solution which was economically adequate if—he continues—those companies were free to choose.

The latter part of Mr. F's statement is interesting because it implies that at present, there are restrictions to a company's decisions. This is implied be-

⁷ See David Riesman et al.: In the present state of our social and economic accounting, I find it impossible to say where necessary personalization ends and unnecessary personalization begins. Nor have I the indices to separate profitably productive effort from busy work. I cannot tell, for example, how much the slow progress toward automatization in the tertiary trades is due to low wages, *engaging Negro laundresses and pressers in a muscular race with existing mechanical power*, how much to failure to invent the necessary machinery, how much to consumer demand to buy personalization along with a product, and how much to the needs of the work force itself to personalize, for reasons already given, whether the consumer asks for it or not. In: *The lonely crowd*, Yale: University Press 1989 [1961].

cause it would otherwise be irrelevant to point out that his statement holds true for particular cases only. But what kind of restrictions does the interviewee have in mind?

Mr. F goes on to introduce a second condition: companies will use automation technology if it was “economically reasonable.” But it remains unclear whether by “reasonable” Mr. F means the costs arising from investing in such technology or the difference between investments and future earnings.⁸ The two aspects are incompatible. He seems to lose sight of the fact that to argue only in terms of cost of investment is to ignore the time range and the possible long-term profitability of such investments. To argue in terms of costs may in fact prevent innovation and it may serve as a rationalization for trying *not* to expose oneself to the entrepreneurial risks of introducing innovative machines. In terms of his argument, costs are ignored which accrue in case *no* investment in technology takes place.⁹

⁸ See *Encyclopedia Britannica* (1996), *Business Organization – Managerial decision making*: “The guidelines governing management decisions cannot be reduced to a simple formula. Traditionally, economists have assumed that the goal of a business enterprise was to maximize its profits. There are, however, problems of interpretation with this simple assertion. First, over time the notion of ›profit‹ is itself unclear in operational terms. Today's profits can be increased at the expense of profits years away, by cutting maintenance, deferring investment, and exploiting staff. Second, there are questions over whether expenditure on offices, cars, staff expenses, and other trappings of status reduces shareholders' wealth or whether these are part of necessary performance incentives for executives. Some proponents of such expenditures believe that they serve to enhance contacts, breed confidence, improve the flow of information, and stimulate business. Third, if management asserts primacy of profits, this may in itself provide negative signals to employees about systems of corporate values. Where long-term success requires goodwill, commitment, and cooperation, focus on short-term profit may alienate or drive away those very employees upon whom long-term success depends. Generally speaking, most companies turn over only about half of their earnings to stockholders as dividends. They plow the rest of their profits back into the operation. A major motivation of executives is to expand their operations faster than those of their competitors. The important point, however, is that without profit over the long term no firm can survive. For growing firms in competitive markets a major indicator of executive competence is the ability to augment company earnings by increasing sales or productivity or by achieving savings in other ways. This principle distinguishes the field of business from other fields. A drug company makes pharmaceuticals and may be interested in improving health, but it exists, first and foremost, to make profits. If it found that it could make more money by manufacturing frozen orange juice, it might choose to do so”.

⁹ See Joseph Schumpeter's characterization of entrepreneurial action as *creative destruction*. See: Kapitalismus, Sozialismus und Demokratie. Schumpeter speaks in this context from the realisation of new combinations:

Surprisingly, Mr. F in the interview later confirms the interviewer's argument favoring the use of technology but at the same time he stresses the basic meaning of work. He explicitly says that jobs substituted by machines have become obsolete. At the same time, however, he argues that jobs were not merely an economic issue, that their function was not merely to create wealth, but that jobs were a means of integration and of acknowledgement for the members of the community. Even if we do not need these jobs, Mr. F continues, it is sufficient that the person on the job finds it useful for himself. In other words—and I am explicating a premise underlying these arguments: when work has become redundant, it makes sense to subsidize it. Indeed, this is a surprising perspective. All of a sudden, Mr. F argues as though he represented a labour union. To him, a job is more important than are technological innovation, profits, and taxes which

„1. Herstellung eines neuen, d.h. dem Konsumentenkreise noch nicht vertrauten Gutes oder einer neuen Qualität eines Gutes.

2. Einführung einer neuen, d.h. dem betreffenden Industriezweig noch nicht praktisch bekannten Produktionsmethode, die keineswegs auf einer wissenschaftlich neuen Entdeckung zu beruhen braucht und auch in einer neuartigen Weise bestehen kann mit einer Ware kommerziell zu verfahren.

3. Erschließung eines neuen Absatzmarktes, d.h. eines Marktes auf dem der betreffende Industriezweig des betreffenden Landes bisher noch nicht eingeführt war, mag dieser Markt schon vorher existiert haben oder nicht.

4. Eroberung einer neuen Bezugsquelle von Rohstoffen oder Halbfabrikaten, wiederum: gleichgültig, ob diese Bezugsquelle schon vorher existierte - und bloß sei es nicht beachtet wurde sei es für unzugänglich galt - oder ob sie erst geschaffen werden muß.

5. Durchführung einer Neuorganisation, wie Schaffung einer Monopolstellung (z.B. Vertrustung) oder Durchbrechen eines Monopols.“ zitiert nach Josef Schumpeter: *Theorie der wirtschaftlichen Entwicklung*, Berlin 1926, S.100 f.

Bei Max Weber findet sich folgende Passage: „Der Unterschied [zwischen dem Beamten auf der einen, Politiker und Unternehmer auf der anderen Seite, S.L.] liegt nur zum Teil in der Art der erwarteten Leistung. Selbständigkeit des Entschlusses, organisatorische Fähigkeit kraft eigener Ideen wird im einzelnen massenhaft, sehr oft aber auch im großen von "Beamten" ebenso erwartet wie von "Leitern". Und gar die Vorstellung: daß der Beamte im subalternen Alltagswirken aufgehe, nur der Leiter die "interessanten", geistige Anforderungen stellenden Sonderleistungen zu vollbringen habe, ist literatenhaft und nur in einem Lande möglich, welches keinen Einblick in die Art der Führung seiner Geschäfte und die Leistungen seiner Beamtschaft hat. Nein - der Unterschied liegt in der Art der *Verantwortung* des einen und des anderen, und von da aus bestimmt sich allerdings weitgehend auch die Art der Anforderungen, die an die Egenart beider gestellt werden...Kampf um eigene Macht und die aus dieser Macht folgende Eigenverantwortung für seine Sache ist das Lebenselement des Politikers wie des Unternehmers.“ Zitiert nach: Max Weber: *Parlament und Regierung im neugeordneten Deutschland*, abgedruckt in: Politische Schriften, Tübingen 1988, S.334 f.

add to the community's prosperity. All of a sudden, the interviewer and the interviewee seem to trade places.

I will conclude my presentation of two excerpts from the interview, and want to focus now on two questions which my interpretation has left unanswered: How does one explain

- first, that Mr. F argues against the idea of a managerial “freedom of choice”?
- And, second, that he stresses an “integrative” role for work beyond the creativity it may require?

On the way to a tentative answer to these questions, I would like to draw your attention to what the interviewee *could* have said. In response to my questions, he could have made a clear distinction between economic interest, on the one hand, and political loyalty, on the other. He himself introduced the idea of an “obligation to one's nation,” or “duty”, in the interview, rejects that individuals will act in accordance with such “ideals,” but at the same time we can see from the way he responds that he is in fact committed to such values. So why does he feel that he should *reject* the thesis that managers are free to decide, and that managers, as managers, do not need to be loyal to a particular nation-state?

With respect to the issue of work, Mr. F could also have argued along a different line. For example: Why does he not point out that it is reasonable to invest in automation and technology, and that companies *have to do this* in order to remain competitive. He could have pointed to the fact that to employ workers for routine tasks is regressive, and that it prevents the implementation of innovative technology as well as giving a larger share of an individual's life to his and his community's interests. The only reason people, and not machines, are used is that they are cheaper.

I would like to present the following explanation for why the interviewee is not pursuing this line of reasoning, and I would like to link it to some theoretical conclusions.

A manager's loyalty to his (/her) community and his responsibility on behalf of his company confronts him with incompatible requirements for his decision: His company's interest will not be that of the nation-state. In fact, the two will frequently be contrary. As long as managerial decision-making historically corresponded to national interests, political loyalty was not an issue, even though the two are analytically different: Political loyalty follows the structure of *community* (*Gemeinschaft*) and entrepreneurial decision-making follows that of *society* (*Gesellschaft*). A community is a collectivity of individuals in their “totality,” i.e. with respect to all aspects of their lives. The nation-state is the most extensive community, comprising all other communities, such as the family. In keeping with this terminology, a family is a community because each member is recog-

nized in its peculiar and characteristic set of attitudes, motives and interests, but the family is an archaic or primitive form of community which is based on familiarity, a familiarity based on parentage and descent.

The nation-state, the political community, is a much more complex form of collectivity. Its unifying power does not go back to familiarity based on descent. Instead, it is patterned by the power of social norms, and it is on these norms upon which law and social institutions are erected. This sovereign collectivity decides what it considers to be just and by what laws it governs itself. The modern nation-state with its democratic constitution and its central component of universal human rights incorporates this kind of community. If necessary, the citizen will defend this community and its principles with his life. In this sense, Community and Society are not on the same level of human life; instead, Society always takes for granted a given Community.¹⁰ Therefore, the concept of “Community” is not an ideal, but an abstract, but nevertheless real condition: It is the precondition for *Lebenspraxis* (“life practice”).¹¹

It is because managers are members of a particular community, or nation-state, that they feel the need for justifying their managerial decisions. Any nation’s sovereignty, however, stops at its borders, and as citizens who are also managers of international corporations, they find themselves in limbo. Considering the case of Mr. F, managers do not seem to have acknowledged this problem. Instead,

¹⁰ Social interactions characterized in this sense concentrate on specific issues concerning the work one are occupied with. If someone wants to introduce private issues the person addressed is legitimized to refuse. This does not work in those interactions mentioned first, to which the core structure is that of being spouses or in a more abstract sense, where relations are not based on mutual personal knowledge, as it is in the political community of the nation-state. So entrepreneurial action follows its specific rules, it is in its fundamentals only an elaborate form of life-practice (*Lebenspraxis*), as the German sociologist Ulrich Oevermann calls that universal structure, i.e. the balancing out of private interest and community orientation whenever a decision has to be made. Before an individual is able to balance these two poles out, it has to undergo the process of socialization from prenatal interaction to the autonomous adult. During this process of aimless sociality the child reconstructs rules of cooperation that are an end to itself.¹⁰ One result of the socialization process is the ability of role taking, to take the perspective of the other or a set of rules. Until this process is not accomplished an individual is not able to differentiate between those interactions where it is acknowledged in its integral totality and peculiarity, i.e. among the family, spouses, friends or citizens, and those interactions where it is acknowledged as a role-player or contract-partner, i.e. as producers or consumers.

¹¹ See Ulrich Oevermann, “The analytical difference between community (“Gemeinschaft”) and society (“Gesellschaft”) and its consequences for the conceptualization of an education for European citizenship”, in: *Developing Identities in Europe: Citizenship education and higher education*, Edited collection of papers presented at the 2000 (Athens) Conference, Ed. A. Ross.

they argue that they do not have one. And when they do, it is interesting to see that the way they phrase their argument in fact reveals that they are implicitly confirming that they are facing a dilemma.

In the long run, the only way out is political cooperation on an international scale. Such cooperation is the only avenue to an international economic policy representing a true political consensus. Only then will managers, as citizens, not feel themselves to be exposed to the issue of whether their decision for implementing machinery will work for or against their community. It is quite doubtful, of course, that such a policy will ever be brought about.