

Editor's Epilogue

A FIRM policy for all contributors to this book was laid down from the beginning when we were asked to "avoid prefabricated conclusions". We were to state the facts and let them speak for themselves; where conclusions were drawn they had to be amply supported but in the main the reader was to be left to make up his own mind. Yet I am aware of some things which have been left unsaid but which are important if the reader is to make valid judgments. If I do depart here from the general policy and draw some conclusions, it is because I feel that this is necessary to complete the picture now that we have presented the facts.

From those facts, supplemented in my own case by the information gained in nearly two years of close association with the company in preparing this book, it is possible and desirable to suggest some general principles about the role of a capitalist corporation such as this in our society. But before doing this it is necessary to attempt some summary of this company's character and quality, for these factors are vital in determining how its power will be applied, just as a teacher's character and sense of responsibility are vital in deciding how his knowledge and influence will be impressed on his students and colleagues.

In C.S.R. tradition plays a part of unusual importance, at least for an Australian company. As we dig below the surface it is increasingly striking how much of that tradition is a heritage from the characters and policies of the Knoxes, father and son. This is a natural consequence of their control of C.S.R. for over 75 years, more than three-quarters of the company's existence. But the fact that during the last 25 years of rapid growth and change, both within and outside the company, those traditions have been carried on, and by men of strong and critical character, is perhaps the best evidence that they were sound.

Both Edward Knox and his son were men with a highly-developed sense of responsibility and clear-cut values of right and wrong. These qualities persist in the dealings of the company. One can find those who will criticize C.S.R. in some direction but I have not yet found anyone who questioned its integrity. I found in Fiji that this quality is most significant in the company's relations with the Indian farmers; even junior officers who were not able to express it so succinctly were aware of it and assessed the desirability of their own actions and of

possible changes in company policy by the effect which they might have on the company's reputation for integrity. From a critical-minded and well-informed leader of the sugar industry in Queensland, who represented interests "on the other side of the fence" from the company, the severest criticism I could get was that it is "as tough as goat's knees, but honest".

The tradition of honesty is scrupulously guarded. Sometimes it has made me impatient as progress with this book was slowed down by checking for the *n*th time some point of detail or interpretation, but I learned to respect the attitude that "we have a reputation for accuracy—our cane farmers, the Sugar Board and our customers all know this—our facts and figures must be right". The tradition of honesty is carried further than the field of facts and figures. In this company there is no unscrupulous outbidding of a smaller competitor for the services of his trained staff. Moral values and loyalty for past services and associations are observed, as exemplified by two sugar mills which are still operating although they have made losses more often than profits in the past 15 years. A major reason for not closing them is that they have been operating for over 70 years and there is a strong feeling of responsibility to the farmers, many of them second and third generation suppliers of cane, with land which would not lend itself to other forms of production if the mills were to close down. The attitude is that "those mills may have to be closed in the end, but let us work patiently with the growers to see if plans can be made and implemented to make them profitable".

The tradition of thrift and hard work, which stems from the Knoxes, appears repeatedly in policies and in the behaviour of individuals. In spite of all the continuous replacement and enlargement of plant, there are many mills and refineries which still operate items of equipment which would long since have been unserviceable with less careful and efficient maintenance. Millions of pounds in the assets have not meant any slackening of care in the use of the pennies. In many places one encounters men who get a good deal of personal satisfaction and pride from the volume of work which is handled in their sections by a surprisingly small staff. The fixing of a departmental head's salary by the size of the staff he builds up is a principle which does not seem likely to intrude here.

The Knoxes were free traders and were strongly opposed to the intrusion of government into commerce and industry. E. W. Knox opposed the Regulation of Sugar Cane Prices Act in Queensland, believing that the company could best arrange just terms between its mills and the growers without the intervention of a government-

appointed authority. The company strenuously resisted government-decreed preferences in employment to trade unionists in Queensland, although it had been foremost in improving conditions and introduced a 48-hour week as early as 1905. Such traditions continue today in outspoken criticism of and suggestions to governments on industrial policy, tariff and import policy, the taxation laws on depreciation allowances for industry, and other major matters. But in all these cases one policy has been consistent—oppose what you think is wrong; negotiate and contest; but if beaten, however wrong you think the law or regulation may be, if it is the law, observe it. As one senior officer remarked, “We may not always have been right, but in cases where we have been proved wrong the fact that we opposed was a good thing. In some senses we have been like Her Majesty’s Opposition, and ultimate decisions by authority have been the better for having had opposition. In some instances we have been right and sometimes we have won the argument, either immediately or later.”

Some of the traditions may make the newcomer smile. Female secretaries and typists were not employed at the head office until about 1936 and not extensively until the start of World War II. There were some advantages in the training of young men by their acting as secretaries to senior officers, and many who are now seniors can recall typing their reports at a mill office long after the normal day’s work was done. But there is no doubt that the exclusion of women for so long stemmed from the conservatism of E. W. Knox in this matter.

No member of the staff may smoke in his office in business hours, a rule which I have heard justified by some who suffer by it on the basis that “a little personal discipline is a good thing”. One explanation of this custom is that E. W. Knox stated that the “clerks” were no better than his “mechanics” in the mills and refineries and since the latter could not smoke, for reasons of hygiene and safety, the same rule was good enough for the men in the office. The cynics, however, will say with a smile that the reason was simply that “E. W.” disapproved of the habit.

There is still the tradition that the doors of executives’ offices are always left open—there is the unspoken assertion that no one is seen in secrecy and there is nothing to hide. But the convention of the “open door” has a wider significance: it is intended as an open invitation to all officers to come in and discuss their problems. Even the general manager’s door stays open and any officer is entitled to see him on any personal or business matter, almost without notice if he is disengaged.

Such things are minor components contributing towards the creation of an individual, distinct and disciplined character which embodies another tradition—that the company will not follow an opportunist or smart way to gain profits or publicity or sales. Although there is a goodly degree of conservatism stemming from these traditions of dignity, discipline and integrity the company has, nevertheless, frequently been ahead of its contemporaries in many important ways—scientific large-scale methods, relations with employees and suppliers, and technological development. Many improvements in commercial and industrial practices which suddenly come into the limelight with a new name tagged on have been operating long since in the company.

The tradition of the company in its relations with its employees also owes much to the Knoxes. It embodies the simplest principles of good human relations, with loyalty engendered through consideration of the individual, help in his training and personal financial problems, provision for his old age, the encouragement of thrift, and a conscientious study by top management of all matters affecting appointments, transfer and promotions. In short, there is genuine respect for individual men who, in their turn, have developed a basic respect for the aims and methods of the company. These policies are accompanied by the greatest care in selection before employment, particularly in the case of the salaried staff; “the right to hire” is properly treated as being more important than “the right to fire”.

There has resulted a morale and an *esprit de corps* of outstanding quality. To the company these are invaluable assets. To the individual they contribute personal strength and satisfactions of great importance, particularly in a world where so many have lost the old sense of belonging to a community, whether to a community of interest in work or to a bigger brotherhood bound together by common social or religious belief and practice. Employment in this company provides, for many men, part of their need to belong to a group whose character satisfies them and wherein they can feel that their efforts are united with others in something of value.

In its relations with the weekly-wage employees the company has done a good deal better than most Australian employers and its policies have produced a good record of freedom from strikes. But it is, at the same time, clearly aware of and dissatisfied with the extent to which better relations are hindered by many strong forces, including the tendency to promote points of difference between employer and employee and to destroy the belief in a common interest and the pursuit of common goals. A sense of responsibility, equally as much as the imperatives of profitability in an industry of very small profit

margins, has caused the company's policy of rarely exceeding industrial award conditions, even under the stress of competition for labour during recent years of overfull employment.

At first glance the company may appear to have been slow in applying techniques of personnel management which place emphasis on the individual care and guidance of the employee by specialist officers. It has adhered to the belief that responsibility for the men in their charge should rest squarely on the managers. In recent years experiments have been made in some of its factories by the appointment of personnel managers with responsibilities largely separated from the normal functions of administering industrial laws and awards, and the results of such steps are being closely observed. If changes do come, because of the increasing burden on the shoulders of managers in the line of command and the lesser time which they have for personal contact, the changes will be made not hurriedly and not because they are fashionable but only when they have been thoroughly tried and tested.

Such comments about the influence of the past on the character of the company today are significant when considering the motives and methods likely to be employed in its operations. Equally important is the nature of the group management system which has replaced the control by one man of the early years.

The group management of big corporations has received much attention and study in the United States, where it has developed greatly in the last 25 years. Writers there have commented on the fact that these new managers see clearly the responsibilities of the big company, that they are more aware of public opinion, that they are using more refined techniques of analysis and prediction in their gauging of markets, material requirements and new fields of development, and that they are particularly concerned with the future. All of these things seem to me to be largely true of C.S.R., although the changes have not been so great in this case because the managerial group took over the creation of a father and a son who were, in many ways, generations ahead of their times in commercial and managerial outlook.

This managerial group in C.S.R. extends further than half a dozen men at the top, although it is they who must set and maintain standards, who must make major policy recommendations to the board, and who must maintain continuously the supervision and direction which ensure that decisions are implemented. Working with them, however, are the many commercial, technical and production specialists who plan and supervise all the diverse operations. As one leading figure

in the Queensland sugar industry put it to me, "There is a mighty big variety and strength of personal skill and knowledge at number 1, O'Connell Street. We in the industry know that when C.S.R. speaks a lot of good men have made their contribution. This is their great strength. They haven't had to back-track too often."

I have seen this system at work with up to a dozen senior men discussing some major programme, exchanging views and supplying information, and one of them then committing the consensus of opinion to writing. So that there can be no doubt that all are clear on the matter, the resulting memorandum is initialled by those who contributed and it is ready as a clear instrument for submission to the general manager or the board for final approval. Copies will then be distributed to others who should be informed. Such a system might be expected, by virtue of the number of people involved and the deliberative nature of arriving at finality, to run the risk of being slow, especially when the field to be covered is so wide and big issues arise not only in keeping the wheels moving but also in expanding and developing into new fields. I can understand my Queensland friend who commented on the management system of the company that "it may not always produce quick action, but it does produce an awful lot of wisdom". But there have been occasions when the company's quickness of action has taken aback other parts of the sugar industry and I have seen ample evidence that where speed is important the system can produce quick results. The key to the situation seems to lie in the way that priorities are established and in the quality of the men in the management group, where a rigorous standard of individual performance and sense of responsibility prevails.

Here, in the quality and sense of purpose of men, lies the asset which does not appear in any balance sheet but which means so much in achieving greater or more efficient production and real gains in our standards of living. The company which has built such an organization over many years has an asset which cannot be readily created, and it is an asset not only for itself but also for the nation.

I have seen in this managerial group in C.S.R. a lively awareness of the importance of political and public opinion and a deep concern about the role of their corporation. No less than the founders of the company, they have a great devotion to it and a firm belief in the value of what they are doing. While alert to the social implications of their company's actions, they do not forget the results which must be achieved for their ultimate employers, the twelve thousand shareholders.

The reader will now have decided whether this capitalist corporation is efficient and progressive, whether it has paid respect to non-material

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aspects of our civilization while contributing to increases in our material standards of living, and whether its management is likely to act responsibly in the wider sense. There are still a few other aspects on which some readers will make their judgments; these lie mainly in the political and social field, where rational and scientific judgment is rare and difficult and where the individual's personal background or experience may greatly influence his conclusions.

One such matter is the question of C.S.R.'s so-called "monopoly". This has been examined in various parts of the text and it seems reasonable to conclude that there would be little justification in the future for using this description without regard to its correct economic definition and the extent to which, if at all, it is properly applicable to part of the company's operations. The application to the company of the word "monopoly" in even the loosest and more colloquial sense, and this is the one most frequently used in political and industrial argument, will not generally bear close scrutiny. Where it is so applicable, as to milling in Fiji or refining in New Zealand, any disadvantages to the community seem rather obscure, whereas evidence has been presented concerning the efficiency and the very positive advantages for all parties. The honest critic will have to refurbish his weapons and perhaps throw away most of those which he has inherited from the armoury of the political debates of fifty years ago before attacking too recklessly on this score in the future.

The only other line of further query that I know relates to "bigness" and "economic power". These are aspects where opposition is not always clearly defined, but doubts about the desirability of large concentrations of wealth and power in the hands of big organizations, whether capitalist corporations or government departments, do influence the judgments of some people. For example, there are many in Australia who are always ready to condemn profits which are big in total, regardless of the capital which is employed in earning them; some people would deny to the big organization the right to gain a reward for innovation and risk-taking, although relatively similar rewards would not be questioned for some small manufacturer of gadgets or some opportunist importer of baubles.

In the United States of America, where the growth of big corporations has been very spectacular, this dislike of bigness has led to repeated demands from some quarters for the encouragement of small and new businesses, and for efforts to restrict large businesses, business groups, and trade unions. It is interesting to note that in the United States, according to a recent article in *Fortune*, one out of four business employees is working for the 200 largest corporations. On the other

hand, there is an opposite attitude which is more clear-cut and acknowledged in the United States than here and this is the respect for accomplishment. This is coupled with the realization that in many fields of endeavour success breeds size and that it is size which supports the big research departments, attracts and develops the highest level of management, allows overhead costs to be spread more widely, and promotes stability and security.

Although by American or United Kingdom standards C.S.R. is not a really big company, this is the type of advantage which is enjoyed by it; which has made possible expansion into new fields when its basic interests became somewhat restricted by the sugar market situation; which supports its large research organization; which has allowed it to attract and enter into partnerships with some of the big overseas manufacturers whereby it gained access to advanced chemical and technical knowledge; and which in one case resulted in the introduction of considerable overseas capital which is now allied with Australian capital and predominantly Australian traditions. These are achievements which have a significance and value extending beyond the direct interests of the company itself, for they are illustrations of courses which will be followed increasingly as Australia progresses towards greater use of her potential for economic and population growth. In such ways C.S.R. plays a role, along with other big business, as a pace-setter for the Australian economy.

It has also been these qualities of bigness and strength which have made it possible to extend into new ventures involving calculated risks on a scale which would have been too large for smaller companies. Recent expansion into a new chemical field, into asbestos mining, and into certain phases of manufacture of building materials, have all been major pioneering ventures in Australian industry and in some cases they are still attended with poor financial results. But they have been basically sound and major developments with a considerable measure of national value. The organization is big enough and strong enough to carry on with them until their value is clear.

There is another field where the importance of bigness must also be acknowledged and this should be done not grudgingly, but gladly. There is no doubt that the strength of the great corporations of the United States, not merely in physical and financial terms but also in the quality and variety of the technical and executive brains which they had trained and employed, provided the answer to the great challenge of achieving the staggering production requirements of war. Big industry, unaided by government and at no cost to the national exchequer, is continually building and developing resources of material

and brains which represent security factors of incalculable importance for the nation, and particularly here in Australia at a critical stage of vulnerability and relative numerical weakness. This is an aspect, seldom spoken of or recognized, which should not be lightly ignored.

The sociologist may inquire further into the reasons for suspicion of "bigness" and find a variety of causations, some based on religious beliefs but others compounded of baser human characteristics such as jealousy, envy and ignorance. This is no easy field in which to give glib answers. But one can pose some questions to try to get clearer thinking about what is meant by "bigness" and to place the subject in better perspective. We might start by inquiring just what bigness means in numerical terms. C.S.R. employs 10,000 people, has 12,000 shareholders and processes the cane of 13,000 farmers. What do these figures mean in the context of a total population of Australia, New Zealand and Fiji of nearly 12,000,000 and compared with other aggregations of power such as the Australian Workers' Union with approximately 180,000 members, the Waterside Workers' Federation of Australia with 27,000 members and the Postmaster-General's Department in Australia with 77,600 employees? The company's assets are stated at about £54,000,000, its annual sales have now passed £90,000,000 and its dividends and bonuses in the centenary year were nearly £1,700,000. Are these big sums in the context of a gross national product for Australia of £4,832,000,000? Even in those things which appear big, the profit is shared by the many, the assets belong to the many, and the large number of employees seem to be reasonably satisfied and they are accorded respect.

With regard to the fears of those who suspect concentrations of economic power, whether of private corporations or governmental authorities, the latter backed, too, by political power, there are also a few questions to be posed. One way to consider them, as power is the key word, is to examine how far the power is untrammelled and what are the checks and balances. The information in this book combined with our everyday knowledge of government, trade union and business affairs will help us to consider these questions in perspective. Moreover, someone, some institutions, some groupings, will always be exercising degrees of power in our societies. Important aspects come to mind: How, in fact, is the power being exercised? Who, in truth, exercises it, for in companies like C.S.R. the decisions are not made by one man or even by a few? Would others exercise it better? Who would be the alternative wielders of power and what would be their motivations? If one grouping of power be diminished it would become easier for other groups to increase the exercise of

their power—who would gain in power and would we approve? It is as well to remember that in the realities of life some institutions are criticized mainly because they stand in the way of increases of authority for some other group.

These are involved issues about which debate will continue for a long time, especially in the intellectual community which has tended to be more critical of business and of the capitalist system of production than has the more pragmatic man in the street. This is not the place to explore the reasons for the attitude of the intellectual. But it is interesting to recall that the evidence available on public opinion, as given in Chapter 9, indicates that the ordinary public thinks highly of C.S.R. and of other prominent companies in Australia. The public is certainly not as unfriendly to those companies as a small minority proclaims and as a few politicians seem to think.

How do the men of the managerial group of C.S.R. see the role of corporate capitalism in this mid-twentieth century? Several of them have contributed their ideas to this book, not in theoretical abstractions but in the context of what they are doing and how they do it. Sir Edward Knox, the chairman of the board, has referred to these matters in the Introduction. One of the senior officers has summarized the position as he sees it and I quote from one of his memoranda:

Of the profit function he says:

A fundamental object of the company is to make good profits for its many shareholders. Profit must be the arbiter: it is the practical measure of social utility. If policies and ventures are not monetarily profitable—in the longer run, if not in the shorter—they have no future and must die. It may be possible to keep an unprofitable enterprise going for sociological or national reasons for a time (which we have done) but not in the long run.

And of the social function of the corporation:

The primary social responsibility and function of the privately-owned, capitalist system is to produce. The business system, while it is increasing the material welfare of the masses and improving its own working ethics, is directly making it possible for a steadily-increasing proportion of the people to enjoy higher standards of culture and also, it would seem, of ethics. In past societies where productivity was low only the few could enjoy any real freedom from the struggle to provide for the material necessities. But the high productivity of modern industrial capitalism provides the material basis which facilitates a far more widespread participation in and regard for non-material things.

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These are clear words which show a straightforward realization of the materialistic facts and indicate that the senior people concerned with the direction of the company's affairs draw strength from the belief that the capitalist corporation performs a valuable function in contributing, even if indirectly, to the highest aspects of society. 'The reader of this book will have found the facts by which to judge such motives and their implementation. The record may give pause to some sincere sceptics who have made up their minds on scanty information or who have inherited prejudices and slogans but who can now assess the company on the basis of facts. In the long run the facts will have their influence with the electors who are called upon, every few years, to decide on political courses which shape our business and social structure and which influence profoundly our own future living standards and those of our children.

The bigger issues, such as the status of our country in international affairs, the assistance and guidance we can give to our Asian neighbours, the amount of the national income we can devote to defence purposes, the aid we can expect in time of trouble as a self-respecting and reasonably self-reliant and vigorous country, indeed our security in the not too distant future, all point to the need for a higher rate of increase in productivity, combined with reasonable stability. The success of companies such as this in making their most substantial contribution to productivity and to our technical and all-round strength will be an important factor in deciding those issues.

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