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*The changing role of the government in the Dutch
knowledge community of management issues in the
period 1945-2000¹.*

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Abstract

In this paper, we argue that the role of the Dutch State has been (a) significant in the spread of management knowledge in the Dutch management community but (b) changed dramatically during the nineteen eighties. After the World War II, the Dutch government played an important role in the development of an institutionalized network to spread management knowledge through the management community. The government stimulated the introduction of new ideas by assisting in the development of different new institutions. In the nineteen eighties, however, the position of the government changed dramatically. Its role as distributor of knowledge disappeared almost completely and was taken over by consulting agencies, commercial publisher, and conference organizers. Besides the decreasing role as distributor, the government also changed its own interest. More and more, government agencies started to use management knowledge themselves and turned into one of the largest users in the Netherlands.

The changing role of the government in the Dutch knowledge community of management issues in the period 1945-2000.

Introduction:

On 19th October 1906, when F.W. Taylor spoke to the Engineering students of the University of Pennsylvania, he suggested clearly that the university is not the place where knowledge about management can be transferred. He said: *“Young men should not come to college mainly to get book learning or a wide knowledge of facts. The successful men of our acquaintance are, generally speaking, neither learned nor men of great intellect. They are men, first of all, possessed with an earnest purpose. They have a certain all round poise or balance called commonsense. They have acquired through long training those habits both mental and physical which make them masters over themselves.”*² With this remark in his speech, Taylor clearly indicates that knowledge about management has more to do with personal experiences and with character, than with cognitive knowledge which is transferable through educational activities. This debate about the possibility to transfer management knowledge is still present in the knowledge community, given that it sometimes enters the public discussions around the value of MBA-programs to the quality of management. However, it is clear that the numbers opposing Taylor's position is enormous, given the amount of resources which is spent on educational activities devoted to the transfer of knowledge about management.

Since Taylor's speech, the generation and transfer of management knowledge has established itself as a distinct knowledge field³. Publishers, universities, consultancies and professional training institutes have developed over the years; together they carry the knowledge field and distribute existing and new information through the knowledge community. The field is very heterogeneous and contains activities related to personal development as well as scientific activities. Despite the variety in kind of people, institutions and approaches involved, it is clear that a knowledge community has emerged which opposes Taylor's claim that experience is the sole basis of good management.

The first signs of the institutionalization of this management knowledge community were all ready present when Taylor gave his speech. A large community of interested parties organized themselves over the years around management issues. This created a large market for older and newer ideas that became rather profitable for many of those involved. Different groups proliferated over the years: professional associations, consultants, universities and management heroes and gurus all had their place and contributed over time. This creation

process in the knowledge field started with the foundation of professional organizations both in the US and Europe. American consultants and managers met each other in the Taylor Society (1911) and in Europe specific associations were established like the *Verein beratender Ingenieure* (1903) in Germany, *the Chambre syndicale des ingenieurs-conseil de France* (1912) in France and the *Association of Consulting Engineers* (1913) in Great Britain.⁴

After World War I, the management knowledge started to proliferate in the Netherlands as well. The first consultancy firms were founded and groups of managers and businessmen started to organize themselves in professional associations. Additionally, a third professional player emerged in this knowledge community: the Dutch Institute of Efficiency (NIVE). This Institute had, as its only objective, the spread of management knowledge among the managers of Dutch firms. The organization started with the help of civil engineers to promote cost reductions through the transfer of systematized knowledge about productivity, cost cutting methods and rationalization. With the establishment of this professional conveyor of management knowledge, the knowledge community had its first institutionalized distribution channel.

In this paper, we will focus on the subsequent development of the field in the Netherlands focusing especially on the role of the Dutch government in the proliferation of management issues and the development of the Knowledge community. Although management knowledge is usually portrayed as a private sector problem, it contains a collective aspect for a national economy as well. Higher educated managers are supposed to have a positive effect on the performance of an organization, stimulate economic development and raise the welfare of societies. The active role of the Dutch government as an institutional force in the field contributed to the development of new knowledge and the creation of more efficient distribution channels. The government, which created a 'structural setting for a variety of solutions infused by economic, technological and institutional factors'⁵, turned out to be a major force in the establishment of the knowledge community after World War II. The Dutch government was important because it created the conditions for the development of the knowledge community. However, its role varied. After serving as a transmitter of management knowledge and creator of distribution channels after World War II, the government turned in the nineteen eighties into a consumer of the management knowledge itself. Before describing these processes, we will describe shortly in which (inter-)national context the role of the Dutch government developed.

The European situation after 1945.

World War II left Europe in a deplorable state. The crisis of the twenties and thirties, the war and the slow economic recovery did not support belief in the old capitalistic system. “The idea that the postwar society should not be build along the same lines was widespread. Everywhere, left wing movements were growing after the war. In addition, a devastating winter followed by a lengthy drought in 1946–1947 crippled the agricultural production and the recovery from the war damage was seriously effected because of a lack of US dollars. By the end of March 1947 the aid that the European countries received through the *United Nations Relief and Rehabilitation Administration* stopped completely, and the Cold War began.

Fear for the advancing communism led to the Truman-doctrine in American politics that was filled with anti-Communist rhetoric. Combined with the rather minor effects of the earlier first aid programs that consisted mainly of food, the American government decided to invest in European industry in order to create more economic stability. On June the 5th 1947, the Secretary of State George Marshall, spoke to an audience at the Harvard University, announced his new European aid program. The program stressed knowledge transfer on technology, management issues and educational programs for business people. Within this European Recovery Program the Americans ‘launched the United States Technical Assistance and Productivity Program (USTA&P) to introduce American style business practices into Western Europe⁶’. The USTA&P convinced American companies to show the European Businessmen their internal practices and to assist in the educational programs for European managers.

In order to realize a constructive implementation of the aid program, the Americans thought it best to let the European initiate projects. For the coordination of these initiatives, the Organization for European Economic Cooperation (OEEC) was founded in April 1948⁷. The participating countries, in close cooperation with the Americans, had to redistribute the American funds and coordinate the activities⁸. Partly as result of the activities of the Anglo-American Council on Productivity (AACP), the growing criticism from American businesses on the European priers could be stopped. However, in 1949, attention shifted more to reforms of business education programs in Europe. Within the AACP, it was concluded that ‘the problem of increasing productivity in Western Europe was a management-training problem. Technical assistance as an educational process was seen to be vital to its resolution’. The USTA&P in conjunction with the National Management Council and several major US universities, including MIT and Stanford, restructured the European visits to include intensive training seminars for managers, labor leaders and business educators. This so-called ‘Operation Impact’ had to reform European business leaders. The Korean War in 1950 pressured the

USTA&P to pay more attention to war industry, the liberalization of the European economy and to urge the European governments develop National Productivity Centers in order to stimulate the industrial growth. As a result, we see the first signs of the active role of the European governments in the distribution of management knowledge. Everywhere in Europe, these National Productivity Centers emerged (compare the situation in for instance Denmark⁹).

Productivity became the key concept in the rhetoric of the US Aid policy toward Western Europe. In addition, European governments were asked to cooperate closely on the continent. This American policy shift stimulated the OEEC in 1953 to create a foundation of the European Productivity Agency (EPA) to support the National Productivity Centers that in turn developed their own Technical Assistance projects. The EPA became responsible for the administration of European initiatives in this field.

The essential idea behind the Technical Assistance projects was not the introduction of new technologies as such, but educational improvements. American universities hosted thousands of European managers and helped them to think about the development of Training Within Industry programs. The label under which all these activities took place, was: 'More production now'. Many of the managers who returned after their US-training, praised the 'symbiotic arrangement of private enterprise and university education as the key to American industrial superiority'¹⁰.

Within the educational field, the EPA was a success, according to Boel¹¹. One of the central aims was the creation of European centers for management training and the Europeanisation of the context of the training given. The Europeanisation argument was considerably strengthened after 1956, when the European contributions to the EPA were increased and the American contribution reduced.

The Dutch situation after 1945

The government policy statement of June 27th 1945 was titled Recovery and Renewal (*Herstel en Vernieuwing*). In this statement, Prime minister W. Schermerhorn gave a gloomy view on the Dutch economy. The war damage was enormous and a national recovery program seemed necessary. Recovery of the Dutch businesses focussed on increasing production, increasing productivity and full employment¹². As a first step, the government decided to establish the *Initiating Committee on labor productivity* (Initiatief Comité Arbeidsproductiviteit). Employer's organizations and unions, united in the Foundation of Labor –a private foundation (1945) owned by the central unions and employer's organizations– reacted with enthusiasm.

The committee started the first wave of propaganda concerning the increase of productivity¹³. One of the activities that attracted quite some attention was Training Within Industry (TWI or *Bedrijfskadertrainingen*). Consultant B.W. Berenschot and the organization psychologist J.L.M. Herold already became acquainted with this method from their trips to the US after World War II¹⁴. Herold, who worked for the Dutch Mining industry, advised to use this method in the Dutch mines too. Employees of the mines went to Great Britain, in order to study the practices which had already been implemented. On January 13th 1947, the first TWI-courses started in the mining industry. Berenschot in his role of advisor, informed other business men about the benefits of TWI. Philips, as one of the largest companies in the Netherlands, began to develop its own activities and organized trips to British subsidiaries to learn about the practical benefits of this method.

The reactions from different companies were very positive and stimulated the Dutch government in its activities. Subsequently, the Dutch government asked the 'Foundation for true service' (*Fundatie Werkelijk Dienen*)– a Foundation that defended Christian values to prevent disruption of the Dutch society after the war - in 1947 to be responsible for the introduction of TWI in general. The Foundation¹⁵ was basically founded in order to promote organizations to stimulate healthy human relations and to respect the human dignity of each individual. In order to realize this goal, the Foundation decided to take care of the training and education of middle management. On their behalf, a new institute was founded: the *Nederlands Instituut voor Personeelsleiding* (NIPL), which offered educational programs for future trainers. At the same time, Berenschot developed similar training and educational TWI programs on a commercial basis.

The Dutch government was very enthusiastic about these activities. There was a complete lack of well-organized management training in the Netherlands. Stimulated by the central government, the consultancy firm Berenschot and the NIPL were the first institutionalized means through which management knowledge could be distributed through the Dutch business community. Both were able to offer new management knowledge in areas such as technical production and human aspects of management.

It is clear that the Dutch government took -right from the beginning- initiatives to promote the recovery of the Dutch industry and agrarian community. From 1947 onwards, a new American aid program reinforced this approach.

The network for productivity promotion: the COP

Although the government clearly showed a willingness to stimulate productivity in the Netherlands through TWI, it is hard to say that the Dutch government was very effective in its first activities immediately after the World War 2. This changed quickly with the earlier mentioned speech of Marshall in 1947. On July 2nd 1948, the US and the Dutch governments signed a contract about economic cooperation. The Dutch government obliged itself in this contract to increase both the agrarian and the industrial production. The Technical Assistance Program that was created to transfer American management knowledge (marketing, manpower utilization, work organization, techniques for labor and management cooperation and training) was seen as a helpful idea.

Government commissioner H.M. Hirschfeld coordinated of these activities. His bureau promoted the Technical Assistance activities. He set up the foundation of the working group Technical Assistance that was chaired by W.H. van Leeuwen, the CEO of the Dutch Yeast Company (*Nederlandse Gistfabrieken*). This committee organized all kinds of educational trips. But the Americans, demanding more, pushed the idea of a National Productivity Center. This idea was also well received, for the government pressed on 1950 to found a new platform. In the same year, the Network for Productivity Promotion (=COP) was established. Van Leeuwen was again the chairman. In the supervisory board, representatives of the 'Foundation for true service' and the 'Dutch Institute for Efficiency' (*Nederlands Instituut voor Efficiency* or NIVE) were present. This new committee was financed by the productivity funds of the Marshall plan.

It is clear that the government very actively created a network of institutions, which was capable of spreading knowledge about the necessity to increase productivity in Dutch firms. Within the COP, they started talking about an organized productivity-endeavor¹⁶ in which, over time, all kinds of knowledge conveyors got involved. However, all this energy was not enough to satisfy the Dutch government. It started to introduce a second way of stimulating productivity. The proper functioning of this knowledge field was much enhanced through activities of the Social Economic Council (*Sociaal Economische Raad*). This Council was founded in 1950 as the top of a three tiered - nationwide, sectoral and firm level - system of consultation between employer and employee representatives. In this highest, tripartite organization employers and unions held eleven seats each, the other eleven were occupied by crown members that were appointed by the government. The Council served mainly as advisor to the government. In the fifties and sixties, it set the targets for policy including measures to increase productivity and advised about the organization of the welfare state¹⁷.

The tiered system of consultation in which the SER was the highest member, was also an instrument to regulate the Dutch economic development by promoting mutual understanding and dependency between employers and unions. In this context, the wage development was a major concern of the government. The policy aimed for low and stable wages, so that the economy could recover more easily. This policy was implemented by building a national wage system in which wages in the branches were directly connected to performance. The only way of increasing wages to higher levels within a firm was by increasing productivity. In order to be able to implement this system, the government needed advisors to measure and control productivity levels. The COP had a vital role in this system of wage control. The COP was mandated to subsidize projects that could enhance the productivity in firms.

The Social Economic Council believed, however, that the government itself was not sufficiently active in stimulating productivity¹⁸ The Minister of Economic Affairs, J.R.M. van den Brink, demanded -stimulated by American remarks- the installation of a government committee on productivity. The subject, generally seen as very important, and this finally led to the installation of a Minister of Productivity, Albrechts, in the second term of the Drees government (March 15th 1951)¹⁹. This way, the government hoped to assist the developments of Dutch companies.

On June 1st 1951, the Minister of Productivity installed a coordination-committee for productivity, which consisted of a number of top executives from different private organizations and government institutions. However, the leading coordination task in the transfer of knowledge was the sole responsibility of the COP. After one year, a new government – the third Drees administration (September 2nd 1952) - was installed and general responsibility for productivity was transferred to the Minister of Publiekrechtelijke bedrijfsorganisatie, A.C. de Bruijn. The idea of an autonomous government policy on productivity was changed more and more into the idea that the business community itself should be responsible for this topic. The government saw itself only as responsible for the creation of the necessary institutional conditions to raise the productivity and as the safeguard of the distribution channel to promote management concepts. Imposing American concepts on Dutch private companies was not seen as a fruitful way of organizing this distribution, although the government was still directly involved through the connection between productivity and wages existed in wage policies.

When we review the role of the government and the COP as conveyors in the fifties, we can conclude that they strongly enhanced the transfer of knowledge. The government stimulated the foundation of a number of institutions, strongly in line with the demands from the Marshall-plan. The foundation of the COP was an important step in the creation of an institutional environment in which management knowledge could be communicated. The COP organized and subsidized projects that with the help of private consultants had to promote the increase of productivity. Within the knowledge community that was created through this institutional framework of the Social Economic Council, the Foundation of Labor and the Minister of Productivity, the concept itself – productivity – promoted the establishment of a common field of knowledge. But what was the role of Dutch scientific institutes in this newly established field of knowledge?

The emergence of new institutions for the transfer of management knowledge.

In the mid-fifties, the interest for TWI vanished slowly²⁰. The American standard programs were, ‘even in their translated form’, less and less capable of meeting the actual training demands of Dutch managers. The programs did not seem to fit very well with the reality within the Dutch firms. Meanwhile, the COP subsidized a project group that focussed its attention on research in industries to enhance the specific Dutch human relations within companies. The ethical interpretation of the ‘human relations’ concept was one of their main concerns. In the Netherlands, respect for the human personality and the enhancement of community feelings was strongly connected to this concept²¹. The NIPG played a crucial role in the defense of this position. The NIPG had developed strong connections with the Tavistock Institute of Human Relations and with the University of Michigan, where the Research Center for Group Dynamics developed new insights²². The NIPG also had good relations with the Dutch government and its CEO, J. Koekebakker, was the chairman of the COP-project group on Human relations (or the *COP-werkgroep sociaal-wetenschappelijk onderzoek*). From this project group, research started on on topics such as cooperation within firms, improving communication structures, selection and training of lower-level managers.

Study trips learn about American Human relation practices, were made, in which representatives from the government were often present. For example, in 1954, a study group left under Assistant secretary of State of Social Affairs, A.A. van Rhijn. He was accompanied by J. Koekebakker,²³ and by the ministerial advisor on productivity issues and COP-member, J.A. Berger. Another group visiting America consisted of labor inspectors who were studying

American personnel policies and social work activities. The Ministry of Social Work had asked the latter group to study American developments in the area of social planning.

These heterogeneous groups studied very different topics under the label of Human relations trying to translate the new ideas *linea recta* to the Dutch context. When the American professors Ch. Argyris en A.B. Cumming visited The Netherlands during their European trip for EPA , they concluded that the Human relations concept had its own life in the Netherlands and that the assigned meanings to the concept were very heterogeneous. They even spoke of a Dutch human relations hype²⁴.

The study trips definitely stimulated social science oriented research in the Netherlands. Different kinds of reports have been published about better cooperation, more effective communication structures and the training of managers on different organizational levels²⁵. Different research institutes and consultancy bureaus cooperated to change constellations and actively distributed their research results to the rest of the knowledge community. To distribute knowledge, the COP founded in 1955 the National Contact Center for human relations and served itself as the acting secretary. Through conferences, seminars and training, human relation ideas spread and gained more and more popularity. Thanks to its board, the COP was blessed with a large network in the knowledge community. Many organizations were represented such as the NIVE, the Dutch Center for Managers, the Royal Institute for Engineers, research bureaus, labor unions and numerous other interested organizations. The network was so dense that a large number of key-figures were represented in all kinds of projects that were organized around the COP.

The only thing that apparently missing in this period was a number of institutions where future managers could be trained and educated. But, the first signs of their institutions can be traced to this period. In 1951, the CEO of Unilever, P. Rijkens, first attempted to promote this education for young people. In his speech, titled 'Raising productivity', he made clear that increasing national productivity would be largely dependent on the effort and the capabilities of managers and entrepreneurs. To realize this, he advocated the foundation of a Dutch business school. He stood up for a systematic training of managers and efficiency experts and brought this topic to the attention of the Minister of Productivity, Albrechts. In 1952 the Minister installed a committee on which representatives of the COP, the private sector and technical and economic educational institutions served in order to determine the demand and possibilities of a business school.

In the influential COP-publication 'Who will succeed us?' (*Wie volgt ons op?*), further analysis was given of the educational aspects of productivity increases. According to the

authors of the report, management should be turned into an independent profession that specializes in issues concerning leadership, organization and administration. In a following report of the NIVE, titled 'How will they succeed us?' (*Hoe volgen zij ons op*, 1954), a Dutch variation for a management program had been developed which was not so much aiming for 'knowledge is power', but for 'skill is power'. The Human Relation ideas were strongly influenced by and the report that argued for self-initiative, teamwork, character development and leadership training²⁶.

This plea of the NIVE was closely in line with a movement for management-education, which emerged all over Europe. In 1952, the International University Contact for Management Education (IUC) was founded in which some Dutch Engineers played an important role. The IUC consisted of a European network with national representative bodies. In the Netherlands, it was again the COP. The traditional universities resisted the introduction of business schools. To reduce the opposition, the COP organized in 1961 a study trip to the US to visit different American Business Schools. Two Polytechnics in Eindhoven and Twente showed interest in setting up management training programs. The Department of Mechanical Engineering at Eindhoven introduced in 1962 a special option that included general management. In Twente, a similar option for business studies was set up in 1968 with a gift from Royal Dutch Shell, followed by gifts from other large companies and banks. In 1969, the Polytechnic of Rotterdam and the Polytechnic of Delft -which both obtained an academic status in those years- were willing to create a school of management. The traditional University of Groningen only followed in 1977 with a faculty of Business Administration²⁷.

The development of the post-academic and post experience education developed less slowly. The foundation of the school for international commerce *Nijenrode* (1947), the international 'Dutch Center for effective management'²⁸, (or NSDB, 1953) and the 'Foundation for inter-academic education in organization sciences'²⁹ (or SIOO, 1958) are perfect examples of close cooperation between the government, higher educational institutes and the private sector. With the NSDB, The Netherlands tried to emulate the Harvard Advanced Management program and the Henley-program in England. However, the NSDB rivaled the educational center of the employer's association De Baak, the NIVE and the NIPL. The SIOO was much more successful and still runs one of the central educational programs for young management consultants.

We can conclude that the knowledge field developed itself very quickly in the fifties. A large number of institutions that are still important today developed themselves or can be traced to

institutions that were founded in this period. Together, the foundation of these different institutions where the government played an important role laid down the structure communication for business knowledge within the knowledge community. The Zeitgeist of the fifties is often described as one common goal determining the activities of the Dutch in all their activities: rebuilding the country. This Zeitgeist can be clearly traced in the development of the specific knowledge field. Within this knowledge field, the American concepts played an important role, although they have been translated to the Dutch context and are often strongly adapted or emulated to local situations. In this process of transfer, translation and transformation of management knowledge, the Dutch government played an important initiating, guiding but overall neutral role. It promoted the emergence of institutionalized distributors of management knowledge in order to assist the rebuilding of the Dutch economy. However, the government could not avoid that these same developments politicized dramatically in the sixties and changed its role.

Politicization of the transfer of management know-how in the sixties.

In the beginning of the sixties the postwar system of centrally regulated industrial relations began to unravel as a consequence of a tighter labor market. In the second half of the sixties the economy underwent a series of structural crises in mainly labor intensive manufacturing industries. Coal mining was shut down, the textile, clothing, footwear and leather manufacturing almost disappeared and shipbuilding began a long-term decline.³⁰

In 1962, the Marshall-funds dried up which left the COP basically without any financial resources. The Dutch government saved it from bankruptcy but simultaneously changed the relative independent position of the COP. The COP became a sub committee of the Social Economic Council and shifted its focus of attention. The government more and more formulated the policies and the COP offered the instruments to implement these policies. In 1963, the government terminated the industrial policy that it used since 1947 to create employment in the industry and stimulate export. Politicians concluded that the private sector was responsible for its own welfare and should develop in a less controlled way. Paradoxically, the developments in the private sector demanded at that time a strong government policy. However, this did not come about³¹. International competition made it impossible for a number of branches to survive without protection as result of the quickly rising wages. Restructuring became necessary in labor intensive industries of the Dutch private sector³².

The COP played an important role here. It organized so called sector-perspective studies to make analyses of the problematic developments and to look for possible future

scenarios in these sectors. Professional research institutes conducted these studies which evaluated survival potentials of sectors on the basis of technological, economic, financial and social criteria. The implementation of the policies was transferred to the sectors themselves. The suggested restructuring of many has never been executed as result of the conflicting interests among the firms in the different sectors. To avoid similar problems at the branch level, *the Nederlandse Herstructurerings Maatschappij* (NEHEM) was founded in 1972. Various consultancy organizations such as McKinsey have been employed to offer pragmatic solutions. Therefore, this period can be characterized by the large number of blue prints for organizational and sectoral restructuring in which consultancy firms started to play a prominent role.

The economic tide was strong in this period; in many cases, the restructuring that took place came the hard way. Many companies went bankrupt and the number of unemployed increased quickly. The social unrest that resulted forced the government to pay more and more attention to the potential economic developments. In its attempts to raise the quality of the Dutch private sector, the COP started to pay attention to the impressive developments in the Japanese economy³³. In 1969, a trip was made to Japan in order to study the Japanese miracle. The most important Japanese concept which the members of the group discovered, was the quality movement of J. Juran and W.F. Deming or: 'quality as fitness for use'. Back in the Netherlands, the enthusiasm of the members was not received with much attention. The knowledge community was too much focussed on the restructuring of the Dutch economy and the resulting social unrest.

Tens of thousands of workers lost their jobs in this period. In 1973 a left-center government came to power and the Prime-minister Joop den Uyl announced a new policy of democratization of the industrial community, under the new political credo of redistribution of wealth, knowledge and power. There was little interest in the organizational role of managers as such. The emphasis was put on social ownership. In April 1974 the minister of Social Affairs asked the COP to organize ten experiments concerning codetermination within private and public companies. It took almost three years of negotiation between employers and trade union representatives to agree on a policy note for the codetermination experiments³⁴. The objective of the series of experiments was to enhance codetermination of employees in the process of decision making in organizations.

De COP introduced this new view on the essence of the firm in which the economic entity was seen as a society responsive organization. This new orientation was also reflected in the name of the COP which changed in 1978 into the COB, the commission for the

development problems of firms (*Commissie voor de Ontwikkelingsproblematiek van Bedrijven*). The ministry of Social Affairs became more and more involved in the activities of the COB. Universities and research bureaus participated actively in the analysis of the different forms of codetermination. The COB also pushed the emergence of all kinds of commercial consultancy firms that started to focus on social policies within companies. The quality concept was however more and more restricted to the quality of labor. Emphasis on participation and codetermination preached consideration of management effectiveness. Germany became a strong example where all kinds of co-determination had been established, such as the union representatives in the board of directors. At the same time, the management problems of private and (semi-) government corporations were generally neglected. The bureaucratic model of management, even in the civil service, tended to be dominant in the daily routines of management. Strategy issues were dealt with through the support of consultancy firms such as BCG, Horringa and De Koning and McKinsey. At that level, government interference was excluded. Within the government itself, training activities were mainly focussed on the professionalisation of civil servants³⁵. A central training institute was founded for civil servants –the *Rijksopleidingsinstituut* (ROI)- that focussed on effectiveness and efficiency within the central government institutions in order to realize qualitative better personnel policies.

The COB stimulated research and came up with suggestions for the reinforcement of the knowledge field in general. The COB tried to offer their own management tools in order to improve systems of participation. Entrepreneurs and managers were positive about these participation efforts as long as the increase of participation stimulated productivity. However, they were defensive or even recalcitrant when matters of decision making were involved³⁶. In 1979, a new law was introduced which regulated the obligatory work councils within organizations with more than 50 employees. The representative role of the work councils had been strengthened and the right on advice on economic and organizational issues was broadened.

The overall impression is that the government lost its primary role in setting the agenda within the management knowledge field. The quality issue was reduced to a social issue in which general management was hardly involved.

Economic turmoil in the seventies

The second oil crisis, however, altered the perspectives about companies as society responsive organizations. The employers associations turned against the COB and criticized its focus on

social issues in organizations because it did not pay enough attention to the central problem of economic survival of firms. The COB decided to organize its research projects more efficiently and to coordinate research projects that could be finished in a reasonable short time and which were connected to productivity issues. The COB, surviving the criticism, remained a central institution in the knowledge community. Its advisory board consisted of many key players in the Dutch economy, which made it possible to connect their own research agenda closely to the latest developments in the knowledge community³⁷. However, its role as a central knowledge institution that distributes the latest management concepts receded into the background. In 1982, the COB changed its name for the last time into *Commissie Ontwikkeling Bedrijven*. This shows that its main focus had shifted from general and policy-oriented research to company-specific issues that lacked a broad perspective.

The institutional framework that the government had promoted to establish a knowledge community began to unravel and a market for management knowledge became visible.

The big turn around in the eighties.

The pressure that led to the latest change of the name of the COB has been a clear sign of a more fundamental shift in the international knowledge community. In the beginning of the eighties, political ideas about society seemed to change rather quickly when Reagan and Thatcher started their governments. The leading and guiding role of the government was generally seen as an overestimation of its possibilities a new era.

Not only the government made a dramatic shift in its policies. In the business world, a dramatic change can be observed too. The US economy was confronted with a large threat from Japanese companies. Large American companies were facing high quality products on their own markets and a kind of panic started to enter the American knowledge community. A number of studies about the differences between the US and Japanese economy mainly related the differences in performance to cultural differences. Although, this was interesting to know, it was not very helpful for managers in their daily work. This negative attitude suddenly changed after the publication of *In search of Excellence* by McKinsey's Peters and Waterman in 1982. They showed how a number of American firms did achieve excellent results in their markets. They showed how it was still possible for Americans to develop company policies that led to high profits. The scientifically sound strategic models that had been developed at American Business schools did not seem to contain the factors of success, but personal leadership of managers with new and good ideas was portrayed as the key to success. Well-developed bureaucratic concepts for running organizations lost their attractiveness. They were

replaced by ideas about entrepreneurial activities inside and outside organizations. A new area opened up in the knowledge field. This new opening, driven by market mechanisms, filled up with the concepts of management consultants and management gurus. The traditional hegemony of rational models from universities was gone and opened possibilities for a further proliferation of the consultancy branch. The number of new management concepts increased considerably³⁸ and was accompanied with an increasing interest of publishers to come up with publications about this subject, conference-organizers and other new institutionalized transmitters of management knowledge. The knowledge community and the knowledge field expanded quickly since the beginning of the eighties and became more and more influenced by concepts developed and transmitted from private companies and consultancy firms. In continental Europe, governments and universities lost their predominant role in the knowledge community. Of course, the universities still play an important role in distributing management knowledge to new generations of future managers and by studying management problems independent of any client. However, their role as creator of new knowledge within the field is taken over by consultants and gurus³⁹.

The book of Peters and Waterman was a bestseller in the Netherlands too and it changed the landscape of the field. Since then, consultancy has become a booming business and many publication channels on management issues is largely taken over by commercial publishers.

The government as organization.

The political changes and the changes in the knowledge field had tremendous implications for the government. Besides its decreasing role as distributor and transmitter of management knowledge, it also became a consumer of management concepts itself. The cause of this shift can be traced to the changing position of the government in the economy. In the Netherlands, the government's expenditure increased sharply between 1977 and 1983: its deficit increased in this period from 3,8% to 10,5%. The government assumed a heavy burden and it was necessary to take rather drastic measures. Totally in line with the developments in the US under Reagan and in Great Britain under Thatcher, Prime-minister R. Lubbers and his right wing government started to cut back the expenses in a structural way.

The new elan which seem to spread over the industrialized world, reflecting the work of Peters and Waterman, not only affected managers of private enterprises, but also influenced existing views on the operations of governmental organizations. One of the central issues was the way tax money was spent. The discussion that this question provoked focussed the

attention on the management issues in government organization. Traditionally, this was not an item seriously dealt with in government organizations or economics. Of course, budgetary considerations always played an important role in creating policies, but the efficiency of how the money was spent, remained a secondary issue. With the start of the first term of the government of Lubbers in 1982, this changed quickly. The government faced the relatively largest public sector within Europe. Reductions of budgets, cuts in salaries and a reduction in working hours were included in the package on which the employer's association and the unions agreed in 1982. This famous settlement made it possible for the administration to create a smaller and cheaper government.

A second issue was the efficient government. Management concepts, being used in many private companies, had to be transferred to public organizations and seemed a potential solution. P. Winsemius – consultant of McKinsey – was appointed as Minister of Public Housing, Spatial Planning and Environment. He had to manage this 'company' of 8200 employees and a 'turnover' of 26 billion guilders (in 1984) and to get it back on track. Winsemius introduced the terminology of Peters en Waterman to start a large scale, downsizing operation. His highest civil servant, secretary-general M.D. van Wolferen⁴⁰, visited companies such as IBM Nederland and Volvocar to learn how management development systems, applied in the private sector, could be implemented in his own organization.

Lubbers' administration was aiming at decentralization of authority in the civil service and downsizing. Concepts such as self-management (= *zelfbeheer*) and contract management were introduced.⁴¹ Officially, the decentralization-policy in the civil service started in 1985 in an experimental way. Self-management was synonymous with output responsibility, the holding model and management from a distance. Authorities at all governmental levels started to look for public-private partnerships in order to realize the entrepreneurial spirit. A search for new solutions made them sensitive for the field of management knowledge on private organizations. Governmental bodies opened their doors for all kinds of management ideas about efficiency and output responsibility that had been developed in the decades before. In fact, the government turned from a creator of the infrastructure for a knowledge community of private enterprises into a large-scale consumer of these concepts.

The search for new solutions for governmental management problems, combined with the attention to the concepts of the private sector, led to a situation in which all sorts of experiments occurred. The most important and most famous of these became the so-called 'Tilburger Model' or 'concern-model'. In this approach to city management, the centralized way of managing was replaced by a decentralized form of decision making. Civil servants

obtained much more autonomy to take decisions concerning their work. By managing their own budgets and demanding a justification at the end of the year, more flexibility appeared in local governmental bodies. The model became famous in The Netherlands and was applied in many local government organizations. The enthusiasm about the model faded when the application also led to some disasters. The new system demanded new kinds of control mechanisms in which the government had no experience. In the city of Groningen, this led to a large debacle. A credit Bank of the local community lost an enormous amount of money in 1991 since the necessary accounting mechanisms were not in place. Large debts and a lot of political turmoil resulted. In 1999, a similar financial catastrophe is unfolded as result of the large-scale banking activities of a government organization at province level. Inspired by the book Reinventing Government, an entrepreneurial spirit extended in this organization and led to banking activities with financial risks.⁴² Again, the entrepreneurial activities of civil servants happened, without the introduction of the accounting mechanisms that are common sense in the financial sector.

Besides a direct focus on management knowledge from the private sector, civil servants also looked outside the Netherlands to learn about new ways of organizing governmental tasks. Especially the efforts of the Thatcher government seemed interesting because it reduced the British civil service in six years from 730.000 to about 600.000 full time equivalents, thereby savings hundreds of millions of pounds. Every year, civil servants took part in exchange programs with British Government to study the efficiency improvements of the government organizations. The information channels also became a focus of attention. Ministers were supposed to manage on headlines and not in details anymore. As a result, the new Information System for Ministry (MINIS) was introduced. In fact, the reformers introduced a kind of 'enterprise culture' in the civil service. Concepts like 'government marketing', and 'client oriented activities', all stimulated a new elan among the civil servants.

However, the managerial approach in the non-profit sector that focussed on more internal efficiency and higher external performance was not everywhere successful. Overlooking the results, half way his third term the Lubbers government decided that more cut-backs were necessary. In this new wave of budgetary reductions, the COB finally lost its financial resources and had to close its doors. The ROI managed to survive this new round of government cut backs and reorganized itself into a successful private company in the booming training market.

Although the adage of 'more market and less government' was widely seen as a necessary choice, there were also doubts about the efficiency of the actual operations. The

number of operations started to become so diverse that a new need emerged for integration and synergy. This demand in the civil service was picked up directly by management of the privatized ROI. Staff members of the ROI developed a new management concept for government use: *Integral Management*. Integral management is a management concept that is specifically developed in order to reshape the management processes within government organizations. The concept mainly suggests that management should be focussed on output and effects, integrated with the efficient use of available means of production. Subsequently, members of government organizations should be evaluated, based on their performance. The integration aspect of Integral management can be traced to the view that management is an activity in which mutual dependent issues have to be discussed and shaped. Issues such as personnel, information, organization, finance technological means and secondary processes should be reintegrated by the so-called Integral manager. The functional way of organizing and its inefficient effects, characteristic for centralized government bodies can be avoided by using this new management approach.

A closer look at this new concept reveals that it relies for a large part on existing management knowledge widely available in the private knowledge community. For instance, the ideas about Business Units are quite similar in its problem analysis and suggested solutions. The ideas also match with changing ideas in the US around government management, which can be found in the book *Reinventing Government*. However, the novelty in the concept is the integrated approach of coherent organizational aspects and explicit emulation towards the Dutch civil service context.⁴³ The ideas of Integral Management are widely taught in different courses of the ROI and are used to train existing and future civil servant in order to reach the necessary efficiency in government operations.

The approach of Integral Management is however more easily applicable in one context than in the other. In some of the Ministries, the approach easily applied because of the nature of the 'products' such as the Ministry of Traffic. Other Ministries are much more policy oriented which make the use of output oriented management models much more complicated, if not impossible such as the Ministry of Internal Affairs. The Ministry of Economic Affairs led in this new wave of attention for management knowledge.

The developments in the eighties and nineties show that the role of the government has changed. The government lost its role as creator of the knowledge community and distributor of the management knowledge. Subsequently, it turned into a large consumer of management knowledge that it uses to increase its own operations.

Conclusion

The Dutch knowledge community on management issues clearly changed dramatically over 50 years. After World War 2, the government led by stimulating the introduction and spread of knowledge around productivity. The activities stimulated the creation of a large number of different bodies that focussed on management knowledge necessary for rebuilding the country. Over the years, these bodies, especially the COP, became involved in discussions about the way human relations should be shaped within private and public organizations. As a result of the discussions, the government lost its neutral position and became a player in the field. Management issues were not a major issue in public discussions.

Since the beginning of the eighties, a dramatic shift occurred. The role of the government in society changed. Its possibilities for changing the society were generally evaluated as too optimistic and the market was seen as much more potent in developing the nation. The government retreated itself from the knowledge community as a stimulating force. At the same time, the knowledge community responded to of a new market of management concepts. Consultancy firms, gurus and publishers discovered the potential market value and took over the initiative. Management knowledge became a commercial commodity and the knowledge community turned into a market in which supply and demand rule the distribution. Simultaneously, this market is stimulated by the creation of a whole new group of consumers: civil servants in management position. The government was a large new consumer in the knowledge community, which finally led to the development of specific management concepts in the knowledge field. Taylor's idea that managerial qualities can not be taught but consist of earnest purpose and experience did not match any of the later developments in the knowledge community.

Notes:

- ¹ This paper has been presented at the Scancor meeting at Stanford University in september 1999. We would like to thank Rolv Petter Amdam and the other participants of the meeting, Robert R.Locke and an anonymous reviewer of the SOM for their valuable comments. Among the many people we interviewed on this and related topics, we would like to thank Drs.R.A.J.van der Moolen and Drs.C.A.M.Mul of the COP and
- ² Drs.C.W.J.M.Jacobs of the ROI for sharing their experiences during the development of their organizations. F.W. Taylor, A comparison of university and industrial methods and discipline. Address delivered at the University of Pennsylvania, October 19th 1906.
- ³ Bourdieu, P. Opstellen over smaak, habitus en het veldbegrip, Amsterdam 1992.
- ⁴ See M. Kipping, 'Consultancies, Institutions and the Diffusion of Taylorism in Britain, Germany and France, 1920s to 1950s' In: Business History, vol. 39, 1997.
- ⁵ R.P. Amdam & O. Bjarnar, The regional dissimination of American Productivity Models in Norway in the 1950s and 1960s, in Kipping and O. Bjarnar, The Americanization of European Business, Londen 1998, op. cit. p. 91.
- ⁶ J. McGlade, From business Reform programme to Production Drive in: M. Kipping & O. Bjarnar, the Americanization of European Business, Londen 1998
- ⁷ In 1961, the OEEC became the OECD, when the US joined this organization. The EPA disappeared in the same year.
- ⁸ 'The USSR was excluded from this organisation . In a speech on the 9th of Februari 1946, Stalin announced its intentions to build postwar soviet recovery, not upon the foundation of international economic co-operation established by the Bretton Woods conference and the United Nations, but through the revival of the soviet social system'. J.McGlad 'Business Reform Program to Production Drive' in: Kipping, M. and Bjarnar The Americanization of European Business , London, p.19. 1998.
- ⁹ P. Kjaer, Field creation, the Danish productivity drive. EGOS- conference paper, Maastricht 1997.
- ¹⁰ J. McGlade, The US Technical Assistance and Productivity Program and the collection of Western European Managers, 1948-1958 In: T.R. Gourvish & N. Tizatsoo, Missionaries and Managers, Manchester 1998, p. 25.
- ¹¹ B. Boel, The European Productivity Agency: a faithful prophet of the American Model? In: M.Kipping & O. Bjarnar, The Americanization of European Business, Londen 1998.
- ¹² W. Schermerhorn, Minister-president van Herrijzend Nederland, Naarden 1977.
- ¹³ This committee only existed for one year.
- ¹⁴ From the Psychological Center of the Oranje Nassau Mines, Herold published the journal Mens en Onderneming; Later, this journal was published by the NIPG.
- ¹⁵ L.Neher was chairman of the Foundation. He was also the CEO of the state owned Post company and, for a short time, he was Secretary of State of Public Construction.
- ¹⁶ Compare. F.J. Gosselink, Ontwikkeling in de organisatiekunde, 1988, p. 59.
- ¹⁷ Compare J. Visser & A. Hemerijck, A Dutch Miracle, Amsterdam 1997, p. 91.
- ¹⁸ Compare Gosselink, op. cit. p. 70.
- ¹⁹ That Secretary of State was A.H.M. Albrechts. He was a former member of the Committee for Wages and Prices of the Social Economic Council.
- ²⁰ Compare. Gosselink, op. cit. p. 55.
- ²¹ Compare. F. Inklaar, Van Amerika geleerd, Den Haag 1997, p. 102.
- ²² Compare. P. Hellema & J. Marsman, De organisatie-adviseurs, Amsterdam 1997, p. 277.
- ²³ In that same year, the Nederlandse maatschappij van Nijverheid en Handel founded the Nederlands Studiecentrum voor Doelmatige Bedrijfsleiding op via the Commissie Bedrijfs- en Bestuursefficiency.
- ²⁴ Compare F. Inklaar, op. cit. p. 221.
- ²⁵ Compare F. Inklaar op. cit. p. 215.
- ²⁶ P. van Baalen, Management en Hoger Onderwijs, Rotterdam 1995, pag. 246.
- ²⁷ H. de Man & L. Karsten 'Academic management education in The Netherlands' in: B. Locke 'Management education' Dartmouth, 1998.
- ²⁸ Nederlands Studiecentrum voor Doelmatige Bedrijfsleiding.
- ²⁹ Stichting Interacademiale Opleiding Organisatiekunde.
- ³⁰ J. Visser & A. Hemerijck, A Dutch miracle, Amsterdam 1997, p. 121.
- ³¹ The eight industrialisation reports since 1947 often had more symbolic than real effects. Compare J.L. van Zanden & R.T. Griffiths, Economische geschiedenis van Nederland in de 20e eeuw, Utrecht 1989, pp. 243-246.
- ³² Compare. J.J. van der Werf, Industrie en Regio, Groningen 1989, p. 129.
- ³³ Of the increase in the volume of trade in the non-communist part of the world between 1965 and 1971, Japanese export expansion accounted for as much as 54 percent in the case of steel products, 46 percent for motorvehicles, 90 percent for civilian use electronic equipment and apparatus, 54 percent for steel vessels and

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- 38 percent for general machinery, Shigeto Tsuzu *Japan's capitalism*, Cambridge 1996, pp. 83-84.
- ³⁴ H. de Man, *Organisational change in its context*, Delft 1988, p. 55.
- ³⁵ This does not imply that there was no attention for this issue at all. In the fifties, a government department existed which was focussed on the increase in effectiveness in the civil service. However, this government department - managed by ir.J.Smit – didn't accomplish much due to rigidities within the government. Smit became a member of the COB/SER in 1970.
- ³⁶ P.W.M. Nobelen, *Facetten van Medezeggenschap*, Assen 1998, p. 25.
- ³⁷ To give just one example: ir. J.A. Hendriks was, in the seventies, member and committee member of the COB/SER, chairman of the NEHEM as result of his membership of the board of directors of the employers association VNO en board member of the NIVE.
- ³⁸ R.T.Pascale, *Managing on the edge: how the smartest companies use conflict to stay ahead*, New York 1990.
K.Grint, *Fuzzy management*, Oxford, 1997.
- ³⁹ R.Locke, *The collapse of the American management mystique*, Oxford, 1996.
- ⁴⁰ M.D. van Wolferen used to be the secretary-general of the Ministry of Education and was in this period member of the Committee Central Government of the NIVE in order to make the government more efficient.
- ⁴¹ C.W.J.M. Jacobs & H. Wursten, *Zelfbeheer: uitdaging of fopspeen?* Den Haag 1989.
- ⁴² D.Osborne & T.Gaebler, *'Reinventing Government: how the entrepreneurial spirit is transforming the public sector'* New York, 1993.
- ⁴³ Information obtained from Jacobs, CEO of the ROI, interview d.d. Mai 10th 1999.